

CITY OF TAYLOR, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
September 30, 2008

TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON
AND SUPPLEMENTARY INFORMATION



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INTRODUCTORY SECTION





CITY OF TAYLOR

400 Porter Street, Taylor, Texas 76574

Ph: 512-352-3675

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March 24, 2009

Honorable Mayor and Members of the City Council
and Citizens of the City of Taylor, Texas

The Comprehensive Annual Financial Report (CAFR) of the City of Taylor, Texas, for the fiscal year ended September 30, 2008, including the independent auditor's report, is hereby submitted in accordance with the provisions of Section 10.3 of the City Charter. This report is published to provide the Mayor and City Council, city staff, our Citizens, representatives of financial institutions, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the City.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. Because the cost of internal controls should not outweigh their benefits, the City of Taylor's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The CAFR contains three sections: introductory, financial and statistical. The Introductory Section includes a list of principal officials, this transmittal letter, and an organizational chart of the City. The Financial Section includes a Management Discussion and Analysis (MD&A), the basic financial statements and combining and individual fund financial statements and schedules. The MD&A, immediately following the independent auditor's report, is a narrative introduction, overview and analysis accompanying the basic financial statements. The Statistical Section includes selected financial and demographic information generally presented on a multi-year basis.

City management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute assurance, that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The City of Taylor's financial statements have been audited by Brockway, Gersbach, Franklin & Niemeier, P.C., a firm of licensed independent certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Taylor for the fiscal year ended September 30, 2008, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting that amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Taylor's financial statements for the fiscal year ended September 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Profile of the City

The City of Taylor, incorporated in 1876, is located in eastern Williamson County in the central region of the State of Texas. It is located approximately 29 miles northeast of Austin and 17 miles east of Interstate Highway 35. State Highway 95 and U.S. Highway 79 intersect in downtown Taylor. The City currently occupies a land area of 13.5 square miles and services approximately 17,663 residents. The City of Taylor is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City of Taylor operated under a Commission-Manager form of government from 1926 to 2001. In an election held on May 5, 2001, a charter amendment was approved changing the designation to a Council-Manager form of government. Policy-making and legislative authority are vested in the City Council consisting of the Mayor and four Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and hiring the City Manager, City Attorney and Municipal Court Judges. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the government and appointing the heads of the various departments. The Council is elected on a non-partisan basis. Council members serve three year staggered terms. The three-year election cycle consists of two members being elected in consecutive years and a single member being elected in the third years of the cycle. Four of the Council members are elected by district with the remaining council member being elected at-large. After each election, the five members of the Council select one of the members to serve as Mayor until the next election.

The City of Taylor provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; recreational activities and cultural events. Solid waste collection/disposal and water treatment are outsourced to IESI and Brazos River Authority (BRA), respectively. Wastewater collection and treatment are provided by the City.

The annual budget serves as the foundation for the City of Taylor's financial planning and control. All units and departments of the City of Taylor are required to submit requests for appropriations to the City Manager on or before the first week of June each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents a proposed budget to Council for review prior to the first week in August. The Council is required to hold public hearings on the proposed budget and to adopt the final budget no later than September 30th. As a practical matter however, the budget is usually adopted by the end of August and no later than mid-September.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). The City Manager may authorize transfers of appropriations within a department and between departments within a fund and within major line item categories. Increases or decreases of appropriations to a fund; however, require special approval of the City Council in the form of an Ordinance formally amending the adopted budget. Budget-to-actual comparisons are provided in this report on page 31, as part of the basic financial statements for the general fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Taylor operates.

Local Economy

City of Taylor's economic outlook continues to have moderate but stable growth. This is evidenced by local economic indicators such as increased tax appraisal values and sales tax receipts. For many years, the City's economy has been largely based in agriculture and manufacturing. These industries are still with the City today however, the Taylor Economic Development actively recruits companies that add to the diversity of the City's local industry while providing the residents with good employment. A major industry that is located within the City of Taylor is the Electric Reliability Council of Texas (ERCOT), who manages the flow of electric power to approximately 21 million Texas customers and has its operations center located in Taylor. ERCOT employs 630 employees and is the City's largest employer. The Taylor Independent School District (TISD) is the second largest employer in the City with 526 employees. TISD enrolled 3,116 students, which most of their growth has been at the elementary level. The regional economy is bolstered by the opening of the new toll road S.H. 130 and it is anticipated that growth will come to the east Williamson County region

After an intense year of planning, the Temple College Board of Trustees selected Taylor as the site for the new East Williamson County Higher Education Center (EWCHEC). This will be a multi-institutional teaching center that will provide college courses and workforce readiness classes offered by Temple College and Texas State Technical College of Waco. Recognizing the need to provide higher education opportunities for residents in this area has been the driving force behind the efforts of the City of Taylor, Taylor Economic Development Corporation, Taylor Independent School District, Temple College and Texas State Technical College.

Because of the City's location in a region with a varied economic base, unemployment is relatively stable. During the past ten years, the unemployment rate rose from an initial low of 1.9 percent in 1998 to a decade high of 5.6 percent in 2003, only to descend once more to the current rate of 4.7 percent, but it has increased from last year. Unemployment is expected to increase in this region as the economy weakens.

Long-term financial planning.

Unreserved, undesignated fund balance in the general fund is at 32.8 percent of total general fund revenues which falls within the goals set by Management and Council for budgetary and planning purposes. Following its most recent review of the City of Taylor's strategic plan, the focus is to invest in infrastructure to support the growth of business and enhance the quality of life of its citizens. The City is seeking funding from the State and Williamson County for improvements that are needed for infrastructure and the physical appearance of 2nd Street (Business U.S. Hwy. 79). The City has completed the Mustang Creek Wastewater Interceptor project which was necessary for the future growth of the City.

As part of the strategic plan, the Council has work hard toward the development of the East Williamson County Regional Park which will serve as an athletic complex for the City of Taylor and East Williamson County. This facility will cost approximately \$7,200,000, which will be funded through debt issuances, sale of parkland and grants from the Texas Parks and Wildlife Department. In addition, the City has used its own funds for the design costs for this project. Construction is anticipated to begin early in 2009. Once completed, the City of Taylor would likely incur additional operating costs to staff, operate, and maintain the new park. However, the hope of this facility is that it will attract people to Taylor who will shop here and increase the City's sales tax base.

Other Information

Fund Accounting: The City's accounting system is organized and operated on a "fund basis". Each fund is a distinct, self-balancing entity. A description of the various major funds and fund types is contained in Note I of the financial statements.

Basis of Accounting: The City's accounting records for all governmental funds are maintained on the modified accrual basis of accounting. This method recognizes revenue when it is measurable and available and expenditures when goods or services are received. All proprietary funds are accounted for using the accrual basis of accounting; revenue is recognized when it is earned and expenses are recognized when they are incurred.

Internal Control: Management of the City is responsible for establishing and maintaining an internal control structure. This structure is designed to provide reasonable, but not absolute, assurance that: (1) City assets are protected from loss, theft or misuse; and (2) City financial records and data are accurate and reliable. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from it, and that the evaluation of cost and benefits requires estimates and judgments by management.

Cash Management: Cash temporarily idle during the year can be invested in demand deposits, money markets, federal government securities, federal agency securities, MBIA, TexPool and TexStar. The City's investment policies stress:

1. **Safety** and preservation of principal
2. Maintenance of sufficient **liquidity** to meet operating needs
3. **Diversification** to eliminate the risk of loss from one concentration of assets
4. Optimization of **interest earnings** on the portfolio

Note III-A in the financial statements provides more detail concerning deposits and investments.

Risk management: The City provides health coverage and long-term disability coverage to its employees. Employees are also covered for workers' compensation through the Texas Municipal League, a modified self-insurance pool of Texas cities. The City maintains coverage for significant liability and property risks through the Texas Municipal League. Additional information regarding risk management appears in Note IV-B of the financial statements.

Pension Benefits: The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the State-wide Texas Municipal Retirement System (TMRS), an agent/multiple-employer public employee retirement system.


The plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes. Additional detail regarding the City's employee retirement program is contained in Note IV-C of the financial statements.

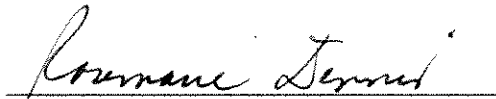
Acknowledgements

The presentation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department and all department head directors. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Due credit also should be given to the Mayor and the City Council for their continued interest in planning and conducting the financial operations of the City of Taylor in a responsible and progressive manner.

Furthermore, the work of the independent auditors from Brockway, Gersbach, McKinnon & Niemeier, P.C. is greatly appreciated.

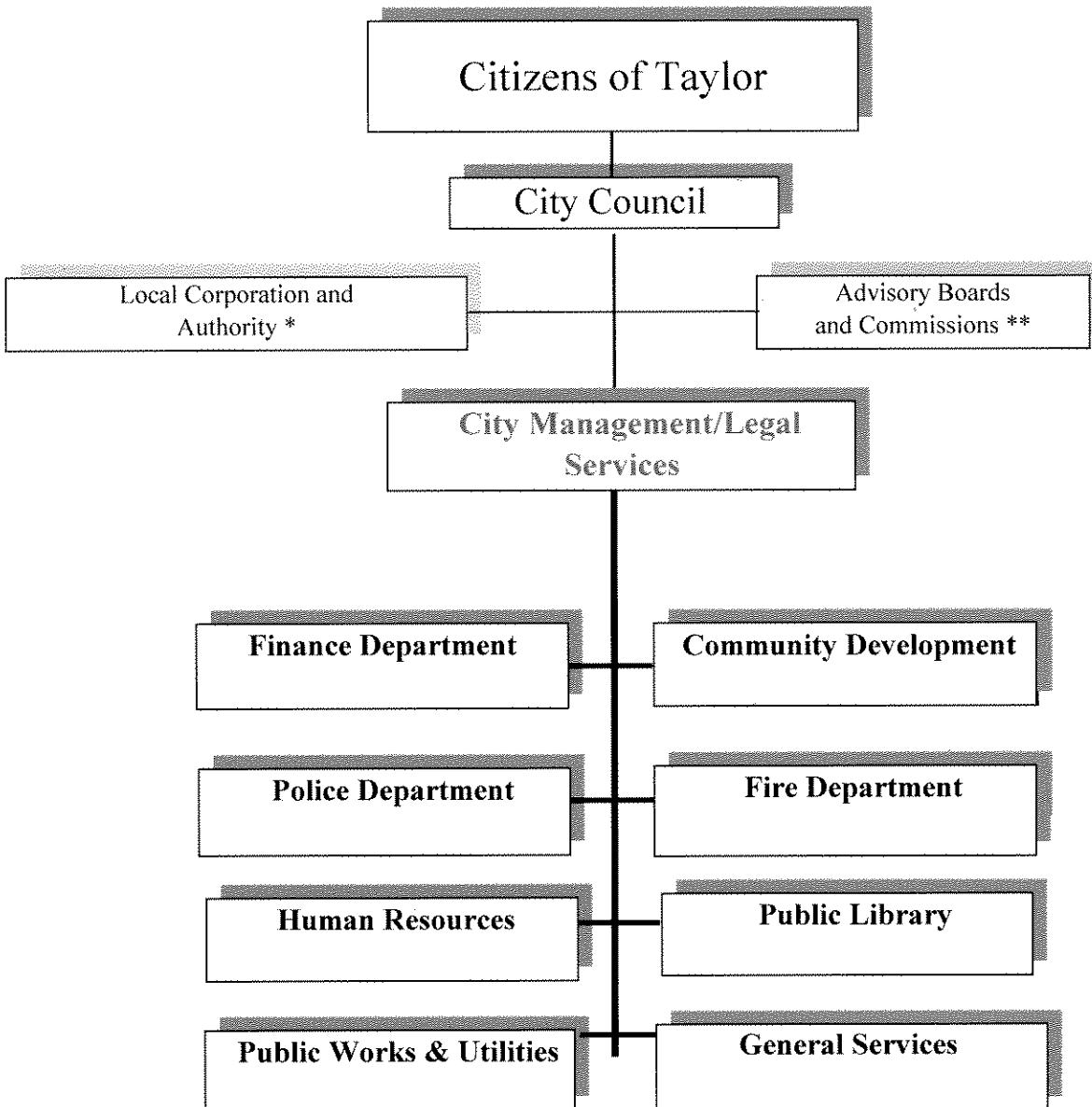
Respectfully submitted,



Jim Dunaway
City Manager

Rosemarie Dennis
Finance Director

City of Taylor - Organizational Chart



*Taylor Economic Development Corporation
Taylor Housing Authority

** Planning and Zoning Commission
Building and Standards Commission
Zoning Boards of Adjustments
Park and Recreation Board
Airport Board
Library Board
Moody Museum Board
Main Street Advisory Board

City of Taylor

List of Elected and Appointed Officials

September 30, 2008

Elected Officials

Rodney Hortenstein	Mayor
Ella Jez	Mayor Pro Tem
John McDonald	Council Member
Donald Hill	Council Member
Bernabe Gonzales	Council Member

Appointed Officials

Frank Salvato	City Manager*
Ted Hejl	City Attorney
Randall Pick	Municipal Court

Other City Officials

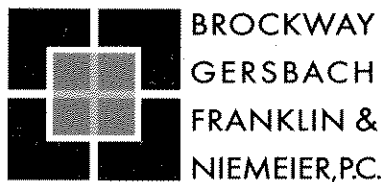
Jim Dunaway	Assistant City Manager*
Susan Brock	City Clerk
Rosemarie Dennis	Director of Finance
Starla Hall	Director of Human Resource/Civil Service
Jeff Straub	Police Chief
Bruce Watson	Fire Chief
Karen Ellis	Library Director
Bob vanTil	Director of Community Development
Danny Thomas	Director of Public Works

*As of September 30, 2008, positions changed prior to issuance in March, 2009.



FINANCIAL SECTION





CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Honorable Mayor and
City Council
City of Taylor, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Taylor, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Taylor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the City of Taylor, Texas as of September 30, 2008, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2009, on our consideration of the City of Taylor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 17 and Schedule of Funding Progress on page 70 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditors' Report
(continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and the statistical section of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Erocking, Dordach, Franklin & Nimmick, P.C.

March 18, 2009

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

MANAGEMENT'S DISCUSSION ANALYSIS

As management of the City of Taylor, Texas, we offer readers of the City of Taylor's financial statements this narrative overview and analysis of the financial activities of the City of Taylor for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Taylor exceeded its liabilities at the close of the most recent fiscal year by \$ 59,445,086 (net assets). Of this amount, \$ 4,563,908 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$ 556,136. This increase is comprised of a decrease of \$110,347 offset by a prior period adjustment of \$ 666,483.
- As of the close of the current fiscal year, the City's general fund reported a current year ending fund balance of \$ 3,809,353, an increase of \$ 938,775 in comparison with prior year. This increase includes the prior period adjustment of \$ 666,483.
- As of the close of the fiscal year being reported, the City of Taylor's total governmental funds reported combined ending fund balances of \$ 8,760,045, an increase of \$ 2,637,590 in comparison with the prior year. This was primarily due to increases in available cash on hand for construction and includes the prior period adjustment of \$ 666,483..
- The City's total long-term debt increased by \$ 9,553,282 or 34.1 percent during the current fiscal year. The City had issued Certificates of Obligation for the park improvements and water and wastewater improvements.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction of the City of Taylor's basic financial statements. The City of Taylor's basic financial statements comprise three components: 1) government-wide financial statement, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Required Components of Annual Financial Report

Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the Notes. The notes to the financial statement explain in detail some of the data contained in those statements. After the notes, required supplemental information and other financial information is provided to show details about the City's individual funds. Budgetary information required by General Statutes also can be found in this part of the statements.

CITY OF TAYLOR, TEXAS MANAGEMENT'S DISCUSSION ANALYSIS

MANAGEMENT'S DISCUSSION ANALYSIS (CONTINUED)

Government-wide financial statements- The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City of Taylor's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Taylor is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of infrastructure, should be considered.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, fire, streets, sanitation, library, and refuse collection. The business-type activities of the City comprised of the Municipal Airport and the Public Utilities operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

The government-wide financial statements can be found on pages 20-23 of this report.

Fund Financial Statements- A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Taylor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Taylor can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds- *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation between changes in net assets and changes in fund balances is provided to facilitate this comparison between government funds and governmental activities.

CITY OF TAYLOR, TEXAS MANAGEMENT'S DISCUSSION ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The City of Taylor maintains numerous individual governmental funds organized according to their type (special revenue, debt service and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service funds, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in a separate section of this report.

The City of Taylor adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-31 of this report.

Proprietary Funds- The City of Taylor maintains two types of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Taylor uses enterprise funds to account for its Public Utilities Operations and its Municipal Airport. The City also uses Internal Service Funds to account for the Equipment Services, Replacement Operations, and Civil Service Sick Leave.

Proprietary funds are generally used to account for services for which the City charges customers; either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 32-37 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 40 of this report.

Required Supplementary Information

In addition to the basic financial statement and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This information can be found on page 70 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combined statements can be found on pages 72-75 and pages 86-88 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis (MD&A) - for State and Local Governments*. This fiscal year's MD&A is presenting prior year information with the current year information as a comparative analysis of government-wide data.

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Taylor, assets exceeded liabilities \$59,445,086 for the year ended September 30, 2008.

The following tables, graphs and analysis illustrate the financial position and changes to the financial position for the City as a whole.

The following table reflects the Condensed Statement of Net Assets as of September 30, 2008.

City of Taylor Net Assets (Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 10,009	\$ 7,508	\$ 7,044	\$ 4,996	\$ 17,053	\$ 12,504
Capital assets	54,548	53,486	26,914	22,276	81,462	75,762
Total Assets	<u>\$ 64,557</u>	<u>\$ 60,994</u>	<u>\$ 33,958</u>	<u>\$ 27,272</u>	<u>\$ 98,515</u>	<u>\$ 88,266</u>
Long-term liabilities	\$ 16,908	\$ 13,911	\$ 20,635	\$ 14,079	\$ 37,543	\$ 27,990
Other liabilities	825	956	702	431	1,527	1,387
Total Liabilities	<u>\$ 17,733</u>	<u>\$ 14,867</u>	<u>\$ 21,337</u>	<u>\$ 14,510</u>	<u>\$ 39,070</u>	<u>\$ 29,377</u>
Net Assets:						
Invested in capital assets, net of related debt	\$ 40,989	\$ 40,724	\$ 12,539	\$ 12,578	\$ 53,528	\$ 53,302
Restricted	1,353	2,093	-	-	1,353	2,093
Unrestricted	4,482	3,310	82	184	4,564	3,494
Total Net Assets	<u>\$ 46,824</u>	<u>\$ 46,127</u>	<u>\$ 12,621</u>	<u>\$ 12,762</u>	<u>\$ 59,445</u>	<u>\$ 58,889</u>

The City's combined net assets were \$ 59,445,086 as September 30, 2008. Of the \$ 59,445,086, \$ 46,823,951 was in the governmental activities and \$ 12,621,135 was in the business-type activities. The City's total net assets increased when compared to the prior year with an increase of \$ 556,136 or 1 percent. This increase includes a prior period adjustment of \$ 666,483.

Net assets consist of three components, investment in capital assets net of related debt, restricted net assets and unrestricted net assets. The first and largest portion of the net assets (\$ 53,527,792 or 90 percent) reflects the City's investment in capital assets (e.g., land, buildings, machinery, infrastructure, equipment and systems); less any related debt used to acquire or construct those assets that is still outstanding. Compared to last year, the City's investment in capital assets net of related debt increased \$ 226,209. The City uses the capital assets to provide services to its citizen; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The second portion consists of unrestricted net assets totaled \$ 4,563,908 or 7.7 percent of total net assets. Unrestricted net assets may be used to meet the City's ongoing obligation to citizens and creditors. Unrestricted net assets increased \$ 1,069,138 or 30 percent compared to September 30, 2007.

The third portion consists of restricted net assets totaled \$ 1,353,386 at September 30, 2008 or 2.3 percent of overall total net assets. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets decreased \$ 739,211 or 35 percent compared to September 30, 2007.

At the end of the fiscal year, the City reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The business-type activities reported a negative unrestricted net assets.

Changes in Net Assets

The City's total revenues for the fiscal year ended September 30, 2008 were \$ 21,150,444. Total revenues decreased when compared to the prior year by \$ 419,118 or 1.9 percent. The City total cost of all programs and services increased from the prior year of \$ 18,154,521 to \$ 21,260,891, an increase of 17.1 percent. The table on the next page presents a summary of the changes in net assets for the fiscal year ended September 30, 2008.

Governmental Activities

Governmental activities revenues such as ad valorem, sales and franchise taxes are not shown by program, but are effectively used to support program activities citywide. Ad valorem taxes reflected an increase when compared to the prior year with an increase of \$ 405,896 or 7.8 percent. The Ad Valorem tax rate for fiscal year 2008 was \$.079000 per \$ 100 of assessed valuation. Of this, \$ 0.59627 was for Operation and Maintenance (O&M) and \$0.19373 was for Interest and Sinking (I&S) for debt service. Charges for services increase \$ 492,701, which is an increase compared to last year. Other taxes such as sales tax, franchise tax, and hotel occupancy tax decreased by \$ 347,978 or 8.2 percent compared to last year. Also, investment earning decreased from \$ 446,973 to \$ 301,223, which is a decrease of \$ 145,750 or 32.7 percent. This decrease is primarily due to the falling interest rates.

The following chart illustrates the City's governmental expenses by function. As shown, public safety is the largest function in expenses at \$ 5,079,499, followed by public works at \$ 3,912,591, and general government recorded at \$ 3,743,942.

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

CITY OF TAYLOR						
CHANGE OF NET ASSETS						
(Amounts expressed in thousands)						
	Governmental		Business-Type		Total Primary	
	Activities		Activities		Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charges for services	\$ 3,957	\$ 3,464	\$ 6,453	\$ 5,529	\$ 10,410	\$ 8,993
Capital grants and contributions	476	1,335	-	826	476	2,161
General revenues:						
Property taxes	5,590	5,184	-	-	5,590	5,184
Other taxes	3,884	4,232	-	-	3,884	4,232
Investment earnings	301	447	240	234	541	681
Other	202	248	47	71	249	319
Total Revenues	<u>14,410</u>	<u>14,910</u>	<u>6,740</u>	<u>6,660</u>	<u>21,150</u>	<u>21,570</u>
Expenses:						
General government	3,744	2,922	-	-	3,744	2,922
Public safety	5,079	4,043	-	-	5,079	4,043
Public works	3,913	3,423	-	-	3,913	3,423
Sanitation	939	869	-	-	939	869
Interest on long-term debt	704	655	840	613	1,544	1,268
Public utility	-	-	5,463	5,226	5,463	5,226
Airport	-	-	578	404	578	404
Total Expenses	<u>14,379</u>	<u>11,912</u>	<u>6,881</u>	<u>6,243</u>	<u>21,260</u>	<u>18,155</u>
Increase (decrease) in net assets before transfers	30	2,998	(141)	417	(111)	3,415
Increase (decrease) in net assets	30	2,998	(141)	417	(111)	3,415
Net assets - October 1	46,127	43,129	12,762	11,656	58,889	54,785
Prior period adjustment	667	-	-	689	667	689
Net assets - September 30	<u>\$ 46,824</u>	<u>\$ 46,127</u>	<u>\$ 12,621</u>	<u>\$ 12,762</u>	<u>\$ 59,445</u>	<u>\$ 58,889</u>

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

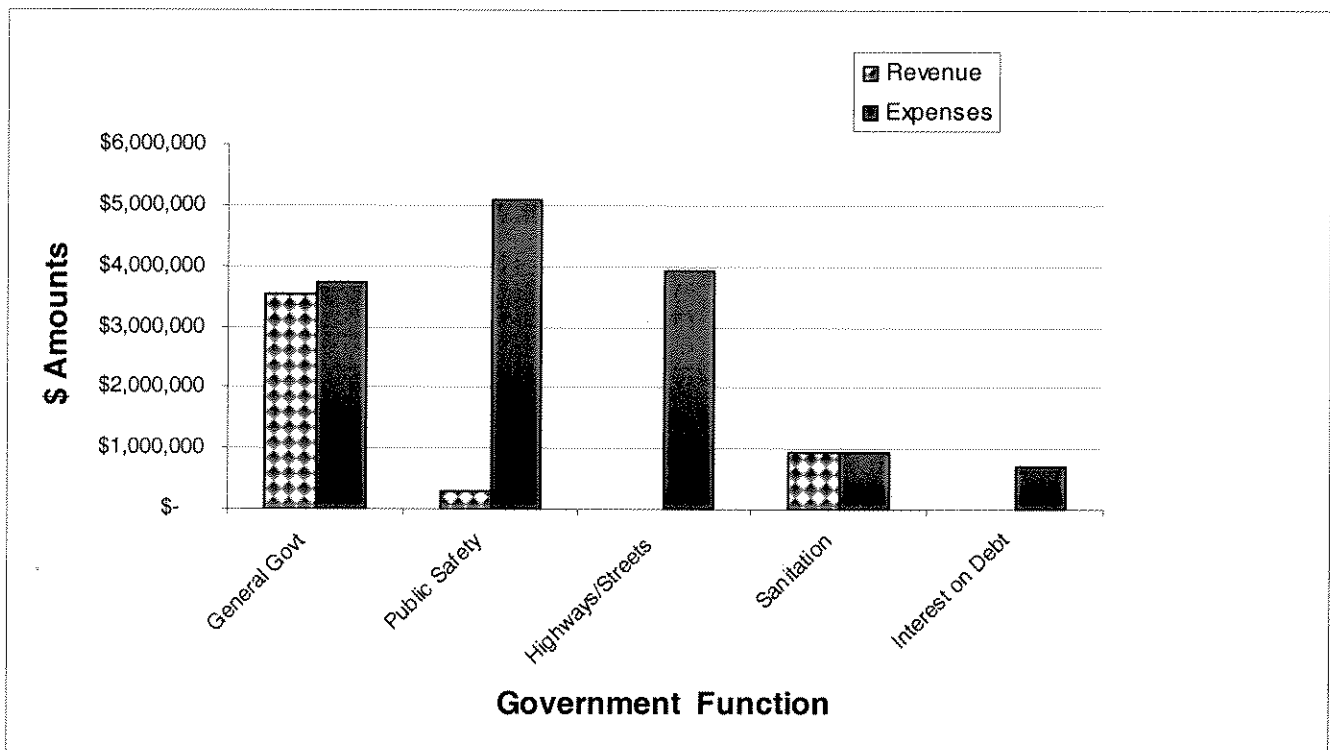
Business Activities

Business-type activities decreased the City's net assets by \$ 140,660. Charges for services provided the largest share of revenues 95.7 percent, with investment earnings making up for 3.6 percent for all business-type activities, followed by other miscellaneous revenue income at .07 percent

Water and sewer fees are the major revenue source for the business-type activities of the City, which recorded \$ 5,845,601 in revenue. Compared to the prior year, water and sewer increased \$ 704,127 or 13.7 percent. The Airport fund also increased \$ 220,522 or 56.9 percent which is due primarily to the increase in fuel sales at the airport due to the cost of fuel.

Total expense for business-type activities was \$ 6,881,566, an increase of 10.2 percent compared to the prior year. Water and Sewer, the largest proprietary fund recorded \$ 6,282,526 in expenses, an increase of \$ 462,313 or 7.9 percent increase compared to the prior year. The Airport expense increased from \$ 421,971 in 2007 to \$ 599,040 in 2008, an increase of \$ 177,061 or 42 percent.

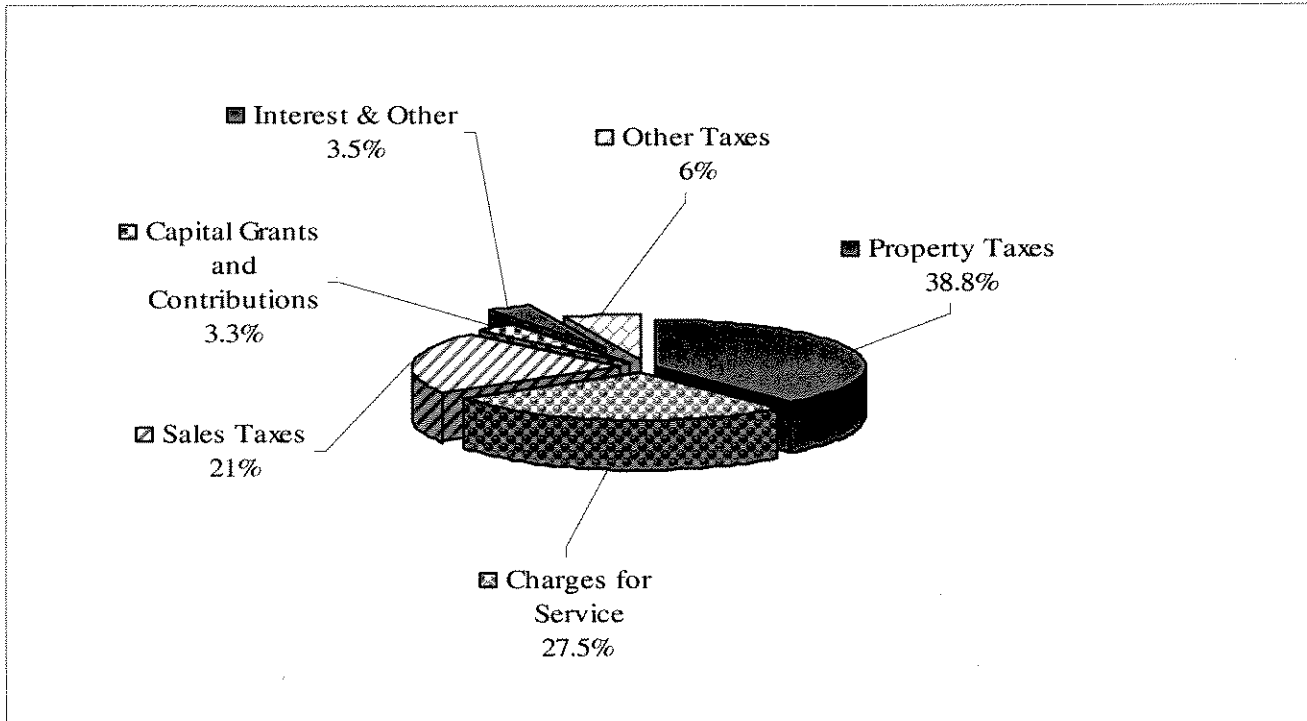
Expenses and Program Revenues-Governmental Activities



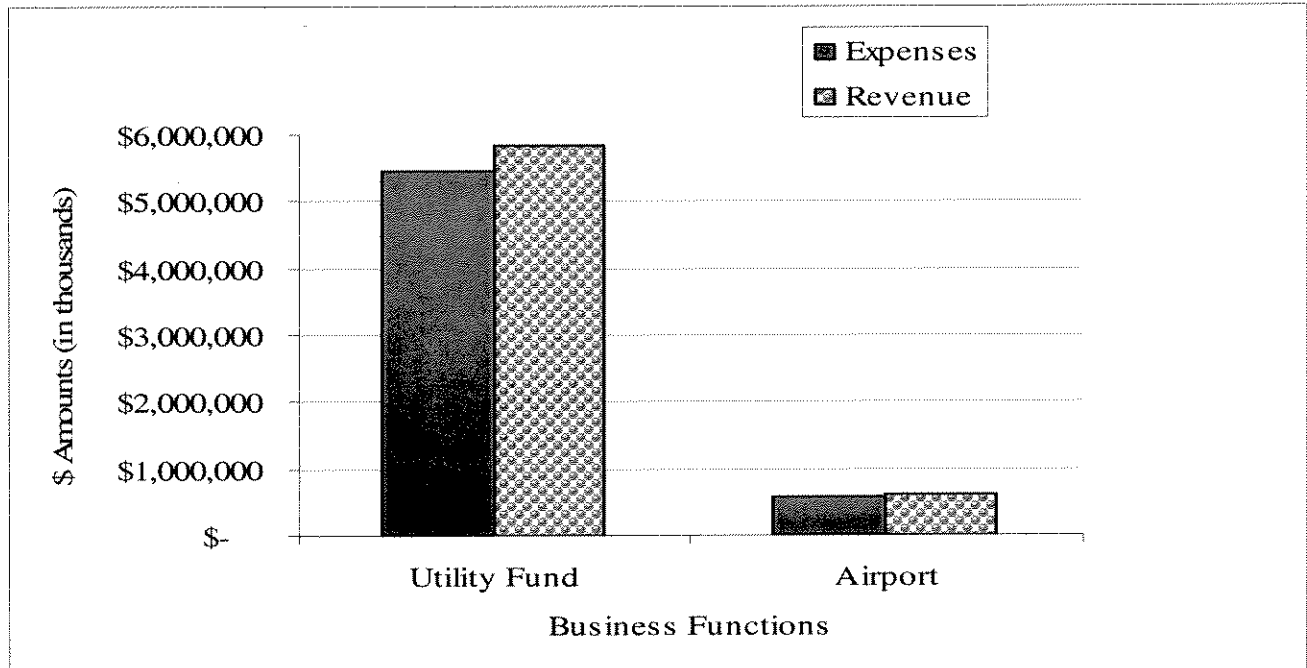
**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Revenue by Source-Governmental Activities



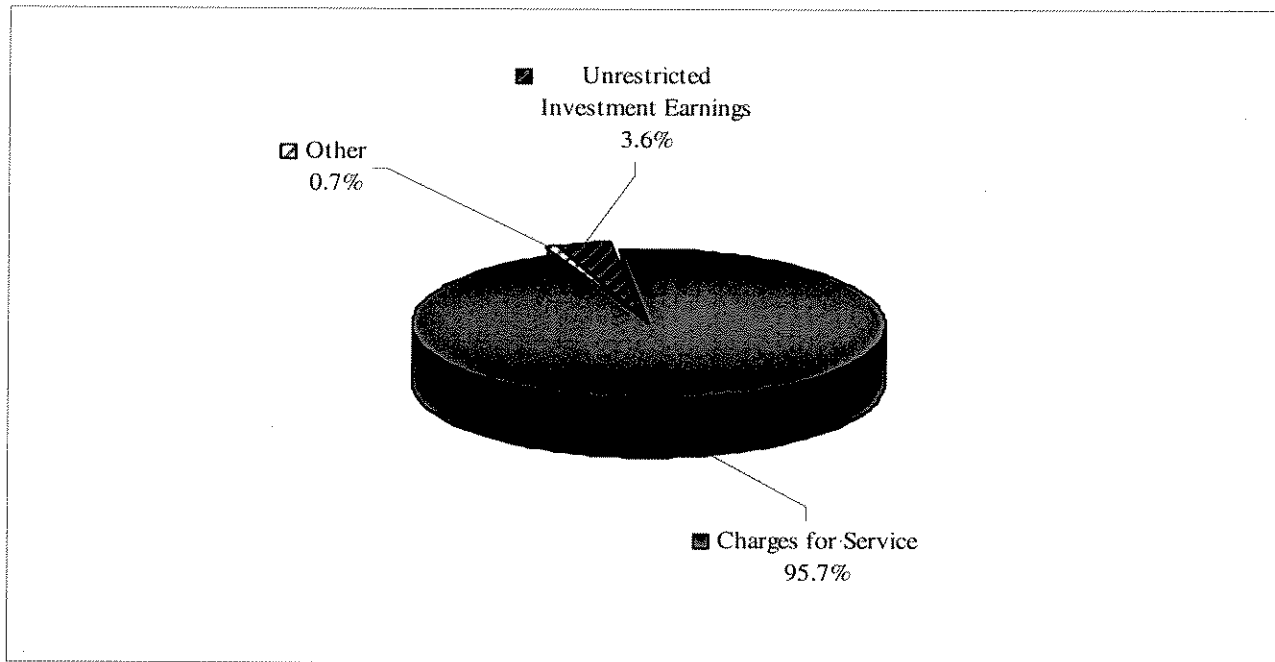
Expenses and Program Revenues-Business-type Activities



**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Revenues by Source-Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Taylor uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds- The focus of the City's governmental funds is to provide information on near term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Taylor's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the general fund, special revenue, debt service fund, capital project funds and the cemetery permanent fund.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$ 8,760,045. This is an increase of \$ 2,637,590 from the prior year including the prior period adjustment of \$ 666,483. Approximately 46.3 percent (\$ 4,058,034) of this amount constitutes *unreserved fund balance*, which is available for spending at the City's discretion. Of this combined ending fund balance, 43.1 percent (\$ 3,777,569) comes from the capital improvement project funding sources, and will be spent on major capital projects during the next fiscal year.

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

The remainder of fund balance is reserved and is not available for discretionary spending because it has already been committed: 1) to pay debt service (\$ 155,140); and 2) to pay for beautification and improvements to the cemetery (\$ 769,302).

The general fund is the chief operating fund of the City. At September 30, 2008, unreserved fund balance of the general fund was \$ 3,809,353. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. The unreserved fund balance represents 34.9 percent of total general fund expenditures.

The fund balance of the City's General Fund increased by \$ 938,775 during the current fiscal year including the prior period adjustment of \$ 666,483. Key factors in this growth are:

- ❖ Ad valorem property tax revenues increased \$ 355,313 this was due to an increase in appraisal valuations.
- ❖ Franchise revenues increased by \$ 44,816 when compared to last year.
- ❖ Charges for services increased by \$ 476,417 primarily due the increased refuse billing.
- ❖ Increases in revenues were partially offset by increased expenditures, most notably in personnel cost.

The General Capital Improvement Funds is used to account for the proceeds of a debt issue, which took place in December 2007. These proceeds will be used to fund the East Williamson County Regional Park. The construction phase of this project is not expected to begin until early spring of 2009 and completed by 2010.

The Debt Service Fund has a total fund balance of \$ 155,140, all of which is reserved for the debt payments.

General Fund Budgetary Highlights

During the fiscal year, the City revised the budget on two occasions. Generally, the budget amendments fall into one of the three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance; 2) amendments make to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues exceeded budgeted amounts by \$ 164,742 while expenditures came in higher than budgeted by \$ 25,996. Overall, the excess of revenues over expenditures were \$ 675,344 which represents a positive outcome.

Proprietary funds- The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Public Utility Fund at the end of the year amounted to \$ 190,796. Unrestricted net assets for the Airport Fund reflected a deficit of (\$ 272,597). The net total on the business-type activities for the proprietary funds unrestricted net assets was (\$ 81,801). The unrestricted net asset of the internal service fund was \$ 323,623.

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2008, the City had \$ 81,461,911 invested in various capital assets, net of accumulated depreciation. Of the \$ 81,461,911 in capital assets, \$ 54,547,759 is invested in governmental activities and \$ 26,914,152 in business-type activities. Compared to last year, total capital assets increased \$ 5,699,580. Capital assets in the governmental activities increased \$ 1,061,657 or 2 percent from the prior year. The largest increase can be identified within the construction in progress line item with an increase of \$ 1,183,587 from the prior year. Capital assets in Business-type activities saw an overall increase of \$ 4,637,923.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at September 30, 2008. Additional information on the City's capital assets may be found in Note III-C on pages 55-57 of this report.

Change in Capital Assets (net of depreciation)						
(Amounts expressed in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 2,235	\$ 2,235	\$ 1,315	\$ 1,296	\$ 3,550	\$ 3,531
Buildings and improvements	7,438	7,564	3,643	3,788	11,081	11,352
Machinery and equipment	980	1,065	160	200	1,140	1,265
Plant Distribution/Collection	-	-	14,967	15,262	14,967	15,262
Infrastructure	41,256	41,167	-	-	41,256	41,167
Construction in progress	2,639	1,455	6,829	1,730	9,468	3,185
Total	\$ 54,548	\$ 53,486	\$ 26,914	\$ 22,276	\$ 81,462	\$ 75,762

Long-Term Debt

At the end of the current fiscal year, the City of Taylor had a total debt outstanding of \$ 37,542,762. The City has no special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Taylor's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

The City of Taylor's total debt increased by \$ 9,553,282 during the current fiscal year, the key factor in this increase was the issuance of certificate of obligation.

The following schedule shows the outstanding debt of the City (both current and long-term) for September 30, 2008. Further details can be found in Note III-F to the financial statements.

	Outstanding Debt					
	(amounts expressed in thousands)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 9,285	\$ 9,625	\$ -	\$ -	\$ 9,285	\$ 9,625
Refunding Bonds	1,277	1,347	358	378	1,635	1,725
Certificate of Obligation Bonds	5,008	2,145	17,559	10,954	22,567	13,099
Revenue Bonds	-	-	2,700	2,725	2,700	2,725
Other	1,338	794	18	22	1,356	816
Total	<u>\$ 16,908</u>	<u>\$ 13,911</u>	<u>\$ 20,635</u>	<u>\$ 14,079</u>	<u>\$ 37,543</u>	<u>\$ 27,990</u>

The City of Taylor and its Public Utilities Fund both maintain an "A" rating from Standard & Poor's and "A3" rating from Moody's for general obligation and certificate of obligation debt.

Additional information on the City of Taylor's long-term debt can be found on pages 60 through 64 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- ❖ The unemployment for the City, according to Texas Workforce statistics, is 4.7% an increase of .09 percent from last year.
- ❖ Economic trends in the region compare somewhat stable with state and national indices.

The development of the City's budget is guided by several factors including the City's strategic plan, prevailing economic conditions and by the continuing need to provide basic and improved customer service for a growing community. The FY2008-09 budget was adopted by the City Council adheres to City financial policies and goals, but also preserves the City's financial position while providing the best level of service to its citizens.

**CITY OF TAYLOR, TEXAS
MANAGEMENT'S DISCUSSION ANALYSIS**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (CONTINUED)

During the fiscal year 2008, unreserved fund balance in the General Fund increased to \$ 3,809,353. Of that amount has been stipulated as three months of operating expenditures to be maintained as a minimum of undesignated reserves, which currently equates to \$ 2,730,708. It is intended that the available fund balance beyond this minimum will be used at the City's discretion.

For the FY2008-09 budget, the water and sewer rates will be reviewed during the fiscal year and the City may have a need to increase rates by 5 to 10 percent for all customers. These rates are necessary to ensure that appropriate funding for water and wastewater projects and have the ability to finance the utility debt service. The ad valorem tax rate FY2008-09 remained at a combined rate of \$.7900 per \$ 100 of assessed valuation, despite of the anticipation of issuance of \$3 million in new debt to be paid from ad valorem taxes.

The City of Taylor still continues to enjoy a slow but stable economic environment, with local economic indicators such as increased tax appraisal values and sales tax receipts. Taylor' growth does create new challenges which must be addressed, and the Strategic Plan provides a framework for the future. Meeting these challenges takes financial resources, a Council vision directing the Strategic Plan, and a management team to implement it. With the plans for the new East Williamson County Regional Park, it is anticipated the City of Taylor will benefit greatly.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Taylor's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information, contact:

City of Taylor Finance Department
400 Porter Street
Taylor, TX 76574
(512) 352-5997
www.taylor.ci.tx.us



BASIC FINANCIAL STATEMENTS

**CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<u>ASSETS</u>				
Cash and cash equivalents	\$ 35,627	\$ 1,050	\$ 36,677	\$ 898,248
Investments	7,830,360	6,740,314	14,570,674	-
Receivables (net of allowances for uncollectibles)-				
Property taxes, including				
interest and penalties	222,567	-	222,567	-
Accounts & other	197,528	978,829	1,176,357	18,697
Sales tax	550,958	-	550,958	-
Internal balances	1,033,634	(1,033,634)	-	-
Inventories	-	64,317	64,317	-
Land held for investment	-	-	-	1,476,642
Restricted investments -				
Customer deposits	-	246,188	246,188	-
Deferred charges, net	138,506	46,550	185,056	-
Capital assets -				
Land and construction in progress	4,874,065	8,144,287	13,018,352	109,922
Capital assets, net of accumulated depreciation	49,673,694	18,769,865	68,443,559	17,531
Total assets	<u>\$ 64,556,939</u>	<u>\$ 33,957,766</u>	<u>\$ 98,514,705</u>	<u>\$ 2,521,040</u>

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
<u>LIABILITIES</u>				
Accounts payable	\$ 497,344	\$ 341,914	\$ 839,258	\$ 110,621
Accrued payroll	160,608	11,871	172,479	4,893
Unearned revenue	67,659	-	67,659	-
Customer deposits	-	246,188	246,188	-
Accrued interest payable	99,699	101,574	201,273	-
Noncurrent liabilities:				
Due within one year	844,550	483,293	1,327,843	40,061
Due in more than one year	16,063,128	20,151,791	36,214,919	408,130
Total liabilities	<u>17,732,988</u>	<u>21,336,631</u>	<u>39,069,619</u>	<u>563,705</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	40,988,706	12,539,086	53,527,792	17,531
Restricted for:				
Investments	-	-	-	1,476,642
Debt service	155,140	-	155,140	-
Construction	428,944	-	428,944	-
Cemetery	769,302	-	769,302	-
Unrestricted	4,481,859	82,049	4,563,908	463,162
Total net assets	<u>\$ 46,823,951</u>	<u>\$ 12,621,135</u>	<u>\$ 59,445,086</u>	<u>\$ 1,957,335</u>

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 4,682,994	\$ 3,650,952	\$ -	\$ -
Public safety	5,079,499	305,708	-	-
Public works	3,912,591	-	-	476,057
Interest on long-term debt	704,241	-	-	-
Total governmental activities	<u>14,379,325</u>	<u>3,956,660</u>	<u>-</u>	<u>476,057</u>
Business-type activities:				
Public utilities fund	6,282,526	5,845,601	-	-
Airport fund	599,040	607,746	-	-
Total business-type activities	<u>6,881,566</u>	<u>6,453,347</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 21,260,891</u>	<u>\$ 10,410,007</u>	<u>\$ -</u>	<u>\$ 476,057</u>
Component Unit:				
Taylor Economic Development	\$ 696,610	\$ -	\$ -	\$ -
Total Component Unit	<u>\$ 696,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes

Franchise taxes

Sales tax

Hotel occupancy tax

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets-beginning

Prior period adjustment

Net assets-ending

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Taylor Economic Development
\$ (1,032,042)	\$ -	\$ (1,032,042)	\$ -
(4,773,791)	-	(4,773,791)	-
(3,436,534)	-	(3,436,534)	-
(704,241)	-	(704,241)	-
(9,946,608)	-	(9,946,608)	-
-	-	-	-
-	-	-	-
-	(436,925)	(436,925)	-
-	8,706	8,706	-
-	(428,219)	(428,219)	-
-	-	-	-
(9,946,608)	(428,219)	(10,374,827)	-
-	-	-	-
-	-	-	(696,610)
-	-	-	(696,610)
5,589,548	-	5,589,548	-
764,227	-	764,227	-
3,020,333	-	3,020,333	1,034,517
99,597	-	99,597	-
301,223	239,913	541,136	26,354
201,993	47,646	249,639	29,592
9,976,921	287,559	10,264,480	1,090,463
30,313	(140,660)	(110,347)	393,853
46,127,155	12,761,795	58,888,950	1,563,482
666,483	-	666,483	-
\$ 46,823,951	\$ 12,621,135	\$ 59,445,086	\$ 1,957,335

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2008

	<u>ASSETS</u>	General Fund	Capital Project Fund	General Capital Improvements
Cash and cash equivalents		\$ 35,627	\$ -	\$ -
Investments		3,359,733	37,402	3,350,556
Receivables (net of allowances for uncollectibles) -				
Property taxes		178,814	-	-
Accounts and other		197,528	-	-
Sales tax		550,958	-	-
Interfund receivables		77,268	54,873	638,916
Total assets		<u>\$ 4,399,928</u>	<u>\$ 92,275</u>	<u>\$ 3,989,472</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities-				
Accounts payable		\$ 183,494	\$ 51,720	\$ 252,458
Accrued payroll		160,608	-	-
Interfund payables		-	-	-
Unearned revenue		246,473	-	-
Total liabilities		<u>590,575</u>	<u>51,720</u>	<u>252,458</u>
Fund balances -				
Reserved for debt service		-	-	-
Reserved for construction		-	40,555	3,737,014
Reserved for cemetery		-	-	-
Unreserved, reported in-				
General fund		3,809,353	-	-
Special revenue funds		-	-	-
Total fund balances		<u>3,809,353</u>	<u>40,555</u>	<u>3,737,014</u>
Total liabilities and fund balances		<u>\$ 4,399,928</u>	<u>\$ 92,275</u>	<u>\$ 3,989,472</u>

I & S For CO Bonds	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 35,627
154,356	928,313	7,830,360
43,753	-	222,567
-	-	197,528
-	-	550,958
784	146,341	918,182
<u>\$ 198,893</u>	<u>\$ 1,074,654</u>	<u>\$ 9,755,222</u>

\$ -	\$ 80	\$ 487,752
-	-	160,608
-	56,591	56,591
43,753	-	290,226
<u>43,753</u>	<u>56,671</u>	<u>995,177</u>

155,140	-	155,140
-	-	3,777,569
-	769,302	769,302
-	-	3,809,353
-	248,681	248,681
<u>155,140</u>	<u>1,017,983</u>	<u>8,760,045</u>
<u>\$ 198,893</u>	<u>\$ 1,074,654</u>	<u>\$ 9,755,222</u>

The accompanying notes are an integral part of this statement.



I & S For CO Bonds	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 35,627
154,356	928,313	7,830,360
43,753	-	222,567
-	-	197,528
-	-	550,958
784	146,341	918,182
<u>\$ 198,893</u>	<u>\$ 1,074,654</u>	<u>\$ 9,755,222</u>

\$ -	\$ 80	\$ 487,752
-	-	160,608
-	56,591	56,591
43,753	-	290,226
<u>43,753</u>	<u>56,671</u>	<u>995,177</u>

155,140	-	155,140
-	-	3,777,569
-	769,302	769,302
-	-	3,809,353
-	248,681	248,681
<u>155,140</u>	<u>1,017,983</u>	<u>8,760,045</u>
<u>\$ 198,893</u>	<u>\$ 1,074,654</u>	<u>\$ 9,755,222</u>

The accompanying notes are an integral part of this statement.



CITY OF TAYLOR, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

Total Fund Balances - Governmental Funds \$ 8,760,045

The City uses internal service funds to charge the costs of certain activities, such as the equipment service fund, equipment replacement fund, and civil service sick leave to appropriate functions in other governmental funds. A portion of the assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect is to increase net assets.

618,861

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. At the beginning of the year, the cost of these assets was \$60,632,726 and the accumulated depreciation was \$ 7,718,449. In addition, long-term liabilities including bonds, leases and loans payable are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. At the beginning of the year, long-term debt was \$ 13,714,261 including compensated absences of \$ 146,393. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.

39,200,016

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to decrease net assets. These include:

Capital outlay	\$ 2,744,290	
Principal payments on debt	671,849	
Capital lease proceeds	(381,545)	
Bond issuance	(3,000,000)	
Net increase in compensated absences	(353,536)	
	<u>\$ (318,942)</u>	(318,942)

The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.

(1,697,403)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, recognizing accrued interest, recognizing amortization expense on bond issuance costs. The net effect of these reclassifications and recognitions is to increase net assets. These include:

Accrued interest	\$ (99,699)	
Uncollected taxes	222,567	
Bond issuance costs	138,506	
	<u>\$ 261,374</u>	261,374

Net Assets of Governmental Activities

\$ 46,823,951

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Capital Project Fund	General Capital Improvements
Revenues:			
Property taxes	\$ 4,164,170	\$ -	\$ -
Sales taxes	3,020,333	-	-
Franchise tax	764,227	-	-
Hotel occupancy tax	-	-	-
Penalties and interest on taxes	48,830	-	-
Licenses, permits and fees	129,750	-	-
Charges for services	2,568,679	-	-
Fines and forfeitures	305,708	-	-
Intergovernmental	300,924	-	150,000
Other revenues	150,006	-	5,428
Investment earnings	145,550	8,662	105,375
Total revenues	<u>11,598,177</u>	<u>8,662</u>	<u>260,803</u>
Expenditures:			
Current:			
General government	3,173,305	-	-
Public safety	4,199,718	-	-
Public works	3,528,574	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	21,000
Capital outlay	21,236	314,170	2,133,765
Total expenditures	<u>10,922,833</u>	<u>314,170</u>	<u>2,154,765</u>
Excess (deficiency) of revenues over expenditures	<u>675,344</u>	<u>(305,508)</u>	<u>(1,893,962)</u>
Other financing sources (uses):			
Lease issuance	381,545	-	-
Bond issuance	-	-	3,000,000
Transfers in	258,121	35,000	987,718
Transfers out	(1,042,718)	-	-
Total other financing sources (uses)	<u>(403,052)</u>	<u>35,000</u>	<u>3,987,718</u>
Net change in fund balances	<u>272,292</u>	<u>(270,508)</u>	<u>2,093,756</u>
Fund balances, beginning of year	2,870,578	311,063	1,643,258
Prior period adjustment	666,483	-	-
Fund balances, end of year	<u>\$ 3,809,353</u>	<u>\$ 40,555</u>	<u>\$ 3,737,014</u>

The accompanying notes are an integral part of this statement.

I & S for CO Bonds	Other Funds	Total Governmental Funds
\$ 1,305,485	\$ 39,783	\$ 5,509,438
-	-	3,020,333
-	-	764,227
-	99,597	99,597
-	-	48,830
-	-	129,750
-	35,486	2,604,165
-	-	305,708
-	25,133	476,057
-	45,779	201,213
18,800	22,836	301,223
<u>1,324,285</u>	<u>268,614</u>	<u>13,460,541</u>
5,879	102,364	3,281,548
-	-	4,199,718
-	-	3,528,574
646,828	25,021	671,849
679,119	-	700,119
-	-	2,469,171
<u>1,331,826</u>	<u>127,385</u>	<u>14,850,979</u>
<u>(7,541)</u>	<u>141,229</u>	<u>(1,390,438)</u>
-	-	381,545
-	-	3,000,000
-	-	1,280,839
-	(258,121)	(1,300,839)
-	(258,121)	3,361,545
<u>(7,541)</u>	<u>(116,892)</u>	<u>1,971,107</u>
162,681	1,134,875	6,122,455
-	-	666,483
<u>\$ 155,140</u>	<u>\$ 1,017,983</u>	<u>\$ 8,760,045</u>

**CITY OF TAYLOR, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$	1,971,107
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The City uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.

46,980

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government -wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to decrease net assets.

Capital outlay	\$	2,744,290	
Principal payments on debt		671,849	
Capital lease issuance		(381,545)	
Bond issuance		(3,000,000)	
Net increase in compensated absences		(353,536)	
	\$	<u>(318,942)</u>	(318,942)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.

(1,697,403)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. These include:

Change in uncollected taxes	\$	31,280	
Amortization of issuance costs		(8,250)	
Change in accrued interest		(15,459)	
Debt issuance costs		21,000	
	\$	<u>28,571</u>	<u>28,571</u>

Change in Net Assets of Governmental Activities	\$	<u>30,313</u>
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The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	\$ 4,167,171	\$ 4,167,171	\$ 4,164,170	\$ (3,001)
Sales taxes	2,458,320	3,027,850	3,020,333	(7,517)
Franchise tax	826,555	892,958	764,227	(128,731)
Penalties and interest on taxes	60,000	60,000	48,830	(11,170)
Licenses, permits and fees	176,800	153,200	129,750	(23,450)
Charges for services	2,294,150	2,241,085	2,568,679	327,594
Fines and forfeitures	326,000	311,755	305,708	(6,047)
Intergovernmental	99,000	294,286	300,924	6,638
Other revenues	131,985	119,430	150,006	30,576
Investment earnings	173,500	165,700	145,550	(20,150)
Total revenues	10,713,481	11,433,435	11,598,177	164,742
Expenditures:				
Current:				
General government	2,606,957	2,683,284	3,173,305	(490,021)
Public safety	4,178,152	4,370,289	4,199,718	170,571
Public works	3,840,016	3,461,719	3,528,574	(66,855)
Capital outlay	-	381,545	21,236	360,309
Total expenditures	10,625,125	10,896,837	10,922,833	(25,996)
Excess of revenues over expenditures	88,356	536,598	675,344	138,746
Other financing sources (uses):				
Lease proceeds	-	381,545	381,545	-
Transfers in	-	15,827	258,121	242,294
Transfers out	(88,356)	(991,994)	(1,042,718)	(50,724)
Total other financing sources (uses)	(88,356)	(594,622)	(403,052)	191,570
Net change in fund balance	-	(58,024)	272,292	330,316
Fund balance, beginning of year	2,870,578	2,870,578	2,870,578	-
Prior period adjustment	666,483	666,483	666,483	-
Fund balance, end of year	\$ 3,537,061	\$ 3,479,037	\$ 3,809,353	\$ 330,316

The accompanying notes are an integral part of this statement.

**CITY OF TAYLOR, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 1,050	\$ -	\$ 1,050	\$ -
Investments	6,740,314	-	6,740,314	-
Restricted investments:				
Customer deposits	246,188	-	246,188	-
Customer receivables (net of allowance for uncollectibles) -	971,332	7,497	978,829	-
Interfund receivables	-	-	-	335,893
Inventories	64,317	-	64,317	-
Total current assets	<u>8,023,201</u>	<u>7,497</u>	<u>8,030,698</u>	<u>335,893</u>
Noncurrent assets:				
Bond issue costs	46,550	-	46,550	-
Capital Assets:				
Land and construction in progress	7,284,454	859,833	8,144,287	-
Capital assets being depreciated	<u>16,084,359</u>	<u>2,685,506</u>	<u>18,769,865</u>	<u>586,595</u>
Total noncurrent assets	<u>23,415,363</u>	<u>3,545,339</u>	<u>26,960,702</u>	<u>586,595</u>
Total assets	<u>\$ 31,438,564</u>	<u>\$ 3,552,836</u>	<u>\$ 34,991,400</u>	<u>\$ 922,488</u>

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 340,989	\$ 925	\$ 341,914	\$ 9,592
Accrued payroll	11,871	-	11,871	-
Accrued interest	99,386	2,188	101,574	-
Interfund payables	920,503	276,981	1,197,484	-
Customer deposits	246,188	-	246,188	-
Bonds payable- current	462,488	20,805	483,293	-
Capital lease payable- current	-	-	-	61,418
Total current liabilities	<u>2,081,425</u>	<u>300,899</u>	<u>2,382,324</u>	<u>71,010</u>
Noncurrent liabilities:				
Accrued compensated absences payable	17,622	-	17,622	2,678
Capital lease payable	-	-	-	66,089
Bonds payable	19,796,909	337,260	20,134,169	-
Total noncurrent liabilities	<u>19,814,531</u>	<u>337,260</u>	<u>20,151,791</u>	<u>68,767</u>
Total liabilities	<u>21,895,956</u>	<u>638,159</u>	<u>22,534,115</u>	<u>139,777</u>
Net assets:				
Invested in capital assets, net of related debt	9,351,812	3,187,274	12,539,086	459,088
Unrestricted	190,796	(272,597)	(81,801)	323,623
Total net assets	<u>\$ 9,542,608</u>	<u>\$ 2,914,677</u>	12,457,285	<u>\$ 782,711</u>
Reconciliation to government-wide statement of net assets:				
Adjustment to reflect the cumulative net profit of the internal service fund that was allocated to enterprise fund functions.			163,850	
Net assets of business-type activities			<u>\$ 12,621,135</u>	

The accompanying notes are an integral part of this statement.



CITY OF TAYLOR, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-Type Activities- Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
Operating revenues -				
Charges for Service	\$ -	\$ -	\$ -	\$ 932,697
Charges for Water Services	3,645,131	-	3,645,131	-
Charges for Sewerage Service	2,184,810	-	2,184,810	-
Charges for Airport Services	-	607,746	607,746	-
Rents and Royalties	36,000	-	36,000	-
Other Revenue	11,646	-	11,646	-
Total operating revenues	5,877,587	607,746	6,485,333	932,697
Operating expenses -				
Personnel services	1,179,744	29,642	1,209,386	135,563
Contractual services	682,998	423,335	1,106,333	559,510
Supplies	1,545,858	32,808	1,578,666	-
Purchased professional and technical services	1,230,888	-	1,230,888	-
Depreciation	820,840	91,886	912,726	194,351
Total operating expenses	5,460,328	577,671	6,037,999	889,424
Operating income	417,259	30,075	447,334	43,273
Non-operating revenues (expenses) -				
Gain (loss) on sale of assets	(2,690)	-	(2,690)	780
Investment earnings	239,913	-	239,913	-
Interest expense	(819,508)	(21,369)	(840,877)	(1,413)
Total Non-operating revenues (expenses)	(582,285)	(21,369)	(603,654)	(633)
Income (loss) before transfers	(165,026)	8,706	(156,320)	42,640
Transfers in	-	-	-	20,000
Change in net assets	(165,026)	8,706	(156,320)	62,640
Total Net Assets - beginning of year	9,707,634	2,905,971	12,613,605	720,071
Prior Period Adjustment	-	-	-	-
Total Net Assets - end of year	\$ 9,542,608	\$ 2,914,677	\$ 12,457,285	\$ 782,711
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			15,660	
Change in net assets of business-type activities			<u>\$ (140,660)</u>	

The accompanying notes are an integral part of this statement.

CITY OF TAYLOR, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business Type Activities- Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
Cash flows from operating activities:				
Cash received from user charges	\$ 5,606,512	\$ 609,831	\$ 6,216,343	\$ -
Cash received from other funds for services provided	-	-	-	931,917
Cash received from others	47,646	-	47,646	-
Cash payments to suppliers	(3,189,202)	(457,539)	(3,646,741)	(562,029)
Cash payments to employees	(1,177,878)	(29,642)	(1,207,520)	(136,460)
Net cash provided by operating activities	<u>1,287,078</u>	<u>122,650</u>	<u>1,409,728</u>	<u>233,428</u>
Cash flows from noncapital financing activities:				
(Increase) decrease in amounts due to/ from other funds	227,311	(74,176)	153,135	20,903
Transfers from other funds	-	-	-	20,000
Net cash provided (used) by noncapital financing activities	<u>227,311</u>	<u>(74,176)</u>	<u>153,135</u>	<u>40,903</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets, net of disposals	(5,548,634)	(7,395)	(5,556,029)	(207,561)
Issuance of debt	7,000,000	-	7,000,000	-
Bond issue costs	(49,000)	-	(49,000)	-
Principal paid on debt	(419,691)	(19,710)	(439,401)	(65,357)
Interest and fiscal charges paid	(795,089)	(21,369)	(816,458)	(1,413)
Net cash provided (used) by capital and related financing activities	<u>187,586</u>	<u>(48,474)</u>	<u>139,112</u>	<u>(274,331)</u>
Cash flows from investing activities:				
Net purchase of investments	(1,946,126)	-	(1,946,126)	-
Investment and other income	239,913	-	239,913	-
Net cash used by investing activities	<u>(1,706,213)</u>	<u>-</u>	<u>(1,706,213)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(4,238)	-	(4,238)	-
Cash and cash equivalents at beginning of year	<u>5,288</u>	<u>-</u>	<u>5,288</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 1,050</u>	<u>\$ -</u>	<u>\$ 1,050</u>	<u>\$ -</u>

(Continued)

CITY OF TAYLOR, TEXAS
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-Type Activities Enterprise Funds			Governmental Activities
	Public Utilities Fund	Airport Fund	Total	Internal Service Funds
<u>Reconciliation of operating income to net cash provided by operating activities</u>				
Operating income	\$ 417,259	\$ 30,075	\$ 447,334	\$ 43,273
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	820,840	91,886	912,726	194,351
(Gain) Loss on disposal of assets	2,690	-	2,690	(780)
(Increase) decrease in receivables	(226,119)	2,085	(224,034)	-
Decrease in inventories	27,863	-	27,863	-
Increase (decrease) in accounts payable	242,679	(1,396)	241,283	(2,519)
Increase (decrease) in accrued payroll and compensated absences	1,866	-	1,866	(897)
Total adjustments	869,819	92,575	962,394	190,155
Net cash provided by operating activities	<u>\$ 1,287,078</u>	<u>\$ 122,650</u>	<u>\$ 1,409,728</u>	<u>\$ 233,428</u>

The accompanying notes are an integral part of this statement.



NOTES TO THE FINANCIAL STATEMENTS

**CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Taylor, Texas is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment) in 1914. The City operates under a Council-Manager form of government.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. REPORTING ENTITY

With a few exceptions, all powers of the City are vested in an elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the City Attorney and the Municipal Court Judge. The Council also appoints the City Manager, who executes the laws and administers the government of the City.

The City provides various services and performs many different functions. These include a police force, a fire fighting and protection force, street maintenance, refuse collection, parks and recreation system, a municipal court, community development, public improvements, water and sewer services, and general administrative services. The City's staff provides the necessary support for the services provided. All are responsible to the Citizens of Taylor and are therefore included within the reporting entity.

For financial reporting purposes, in conformance with generally accepted accounting principles, the City's financial statements include all funds, account groups, agencies, boards, commissions and other organizations over which the Council is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the foregoing criteria, the following entities have been included in this report:

Taylor Economic Development Corporation (TEDC)

Although the TEDC is legally separate from the City, the TEDC is reported as if it were part of the primary government because the City provides the majority of its funding, and the TEDC provides services almost exclusively for the benefit of the primary government. The TEDC is authorized to act on behalf of the City in order to encourage the promotion and development of commercial, industrial and manufacturing enterprises within the area. The TEDC is discretely presented; it is reported in a separate column to emphasize that it is legally separate from the primary government.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION-GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. GASB Statement No. 34 requires certain supplementary information. Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and amended budgets of the General Fund.

Government-wide Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the primary government and its component unit. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The City's statement of net assets includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (police, fire, public works, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or franchise taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories and the component unit. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION –GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements:

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. An emphasis is placed on major funds within the governmental and proprietary categories. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The major governmental funds are the general fund, the I & S for CO Bonds, the capital project fund, the general capital improvements fund. The major enterprise funds are the Public Utilities fund and the Airport Fund. The nonmajor funds are combined in a separate column in the fund financial statements.

Since Internal Service Funds support the operations of both governmental and business-type funds, they are consolidated with the governmental funds and the business-type funds in the government-wide financial statements. The expenditures that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the City as a whole.

C. GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those, if any, which should be accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The City maintains the following major governmental fund types:

General Fund - The General Fund accounts for financial resources in use for general types of operations, which are not encompassed within other funds.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. GOVERNMENTAL FUND TYPES (CONTINUED)

Capital Project Fund - The capital projects fund is used to account for the following major construction and acquisition projects: Murphy Dam and Dickey Street.

General Capital Improvements - The general capital improvements fund is used to account for the following major construction and acquisition projects: Downtown Streetscape, Streets around the new Fire Station, West Lake Drive bridge, Safe Routes for Schools, Bull-Branch Hike & Bike, Murphy Park, Robinson Park, East Williamson County Regional Park, and Dickey Street Phase II.

I & S For CO Bonds - The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds - The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund. Most Federal and State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Permanent Funds - The City accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the City's programs. The City's only Permanent Fund is the Cemetery Permanent Fund.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. PROPRIETARY FUND TYPES

The Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net income, financial position and cash flows. The City maintains the following Proprietary Fund types:

Enterprise Funds – The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in enterprise funds.

The City reports the following major enterprise funds:

Public Utilities Fund – Water/wastewater services provided by the City are accounted for in the Public Utilities Fund.

Airport Fund – The City reports the operation of the municipal airport.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the City on a cost reimbursement basis are accounted for in an internal service fund. The City's Internal Service Funds are: the Equipment Services Fund, Equipment Replacement Fund and the Civil Service Sick Leave Fund.

E. NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement No. 34 eliminated the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

F. BASIS OF ACCOUNTING

Government-wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BASIS OF ACCOUNTING (CONTINUED)

Fund Financial Statements

In the fund financial statements, all governmental funds are accounted for using a modified accrual basis of accounting. Governmental funds use the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Governmental Funds

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis of accounting, revenues are recorded when deemed both measurable and available. Measurable means that the amount of the transaction can be determined. Available means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as unearned revenue.

Sales and hotel taxes, franchise fees, and special assessments are recorded when susceptible to accrual, both measurable and available. Licenses and permits, charges for services, fines and forfeitures and other revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Earnings on investments are recorded on the accrual basis in all funds.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual grant programs are used for guidance. Monies received are generally unrestricted as to purpose of expenditure and are revocable only for failure to comply with prescribed compliance requirements. These resources are recognized as revenues at the time of receipt, or sooner, if the susceptible to accrual criteria are met.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. BASIS OF ACCOUNTING (CONTINUED)

Governmental Funds (Continued)

Revenue Recognition (Continued)

The City reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred except for unmatured principal and interest on governmental long-term debt which are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds' fund financial statements.

Proprietary Funds

In the fund financial statements and the government-wide statements, proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Public Utilities Fund, the Airport Fund and the Internal Service Funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The proprietary funds follow GAAP prescribed by GASB and all Financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its proprietary funds as prescribed by the GASB.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CASH AND CASH EQUIVALENTS

In accordance with GASB Statement 9, for reporting purposes, the City has developed a definition of cash equivalents. Cash equivalents are demand deposit account balances, investments with the State Investment Pool, repurchase agreements, obligations of the United States government and its agencies, commercial paper and certificates of deposit with original maturities of three months or less.

H. INVENTORIES AND PREPAID ITEMS

Inventories for all funds are valued at the lower of cost or market. The consumption method is used to account for inventories. Under the consumption method, an expenditure is recognized when inventory items are used. Cost is determined for inventories of supplies on the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as **prepaid items** (other current assets) in both the government-wide and fund financial statements.

I. CAPITAL ASSETS

Capital assets are stated at historical cost. Maintenance and repairs are charged to operations as incurred. Improvements and betterments, which extend the useful lives of assets, are capitalized.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by the fund's measurement focus. The minimum capitalization threshold is any individual item with a total cost greater than \$ 5,000 and a useful life of at least 1 year. Contributed assets are recorded at the estimated fair market value at the time received.

Public domain capital assets (infrastructure) have been capitalized. Infrastructure consists of certain improvements other than buildings, including roads, curbing, gutters, streets and sidewalks and drainage systems.

In the government-wide statements, depreciation of plant and equipment classified by functional components is provided by the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

<i>Buildings and improvements</i>	<i>20 - 40 years</i>
<i>Streets and bridges</i>	<i>33 - 40 years</i>
<i>Parks and dams</i>	<i>33 - 40 years</i>
<i>Sidewalks, curbs and gutters</i>	<i>40 years</i>
<i>Operating equipment</i>	<i>5 - 10 years</i>
<i>Plant distribution and collection</i>	<i>20 - 40 years</i>
<i>Runway</i>	<i>40 years</i>

When capital assets are retired or otherwise disposed of, a gain or loss on disposal of assets is recognized.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. LONG-TERM DEBT

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. UNPAID COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned, unused vacation. The City provides vacation of five, ten or fifteen days per year depending upon the employee's years of service. A maximum of fifteen days may be carried forward. All vacation benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. TRANSACTIONS BETWEEN FUNDS

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring or non-routine transfers of equity between funds – for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. RESTRICTED ASSETS

Certain bond proceeds, as well as resources set aside for their repayment, are classified as restricted assets because their use is limited by bond covenants. Other assets are restricted due to City Ordinance restrictions on their use.

Net assets have been restricted for the excess of restricted assets over related liabilities to the extent such restricted assets were accumulated from revenues (i.e., in some cases, restricted assets were obtained in total or in part from the proceeds of bond sales or grants).

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

N. NET ASSETS/FUND EQUITY

Net Assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reserved fund balances represent a portion of fund equity that is legally segregated for a specific future use or is not appropriate for expenditures.

O. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY ACCOUNTING

The City follows these procedures in establishing the appropriated budget as reflected in the accompanying financial statements:

- (1) At least sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the financial plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted at which all interested persons' comments concerning the budget may be heard.
- (3) The budget is legally enacted by the City Council through passage of an appropriation ordinance and tax-levying ordinance not later than the final day of the last month of the fiscal year.
- (4) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Proprietary Funds. Management control for the operating budget is maintained at the individual office, department, or agency level.
- (5) Annual budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund and the Proprietary Funds. Capital Projects Funds have no binding annual budget. Project-length financial plans are adopted for all capital projects; accordingly, no comparison of budget to actual is presented in the financial statements.
- (6) Amendments that alter total expenditures of any fund must be approved by the City Council. Although costs are monitored on a departmental basis, the level of control at which expenditures may not exceed the budget is at the fund level. The reported budgetary data has been revised for amendments authorized.
- (7) Any appropriation balances in the General Fund and Special Revenue Funds lapse or revert to the undesignated fund balances at the close of each fiscal year.

The budgets of the various funds are prepared on a basis consistent with generally accepted accounting principles as described above.

B. ENCUMBRANCES

Encumbrances represent commitments related to unperformed (executory) contracts for goods or services. For budgetary purposes, encumbrances lapse at fiscal year-end.

C. DEFICIT NET ASSETS/FUND BALANCE

The Airport Fund had an unrestricted net assets deficit of \$ 272,597 at September 30, 2008.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional Contractual Provisions governing deposits and investments are as follows:

The funds of the City must be deposited and invested under the terms of a contract, the contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

As of September 30, 2008, the City's deposit balances were as follows:

	Primary Government	Component Unit	Total Reporting Entity
1. Insured (FDIC) collateralized with securities held by entity's agent in the entity's name	\$ 150,676	\$ 898,166	\$ 1,048,842
2. Uninsured, collateralized with securities held by pledging financial institution's agent in the entity's name	-	-	-
3. Uninsured and uncollateralized	-	-	-
Total Deposits	<u>\$ 150,676</u>	<u>\$ 898,166</u>	<u>\$ 1,048,842</u>
Carrying Amount	<u>\$ 36,677</u>	<u>\$ 898,248</u>	<u>\$ 934,925</u>

Policies Covering Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investment are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was fully collateralized during the year for deposits. The City's policy requires investments, other than investment pools and money market mutual funds, to be held by a third party custodian bank. All of the City's investments, other than investments pools, were held by the City's third party custodian bank in the City's name.
3. Interest Rate Risk - In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than nine months.
4. Other Credit Risk Exposure - The City's direct investments in debt securities consists of debt securities of the U. S. government and obligations of the U. S. government agencies that are implicitly guaranteed by the U. S. government. The City also invests in external investment pools that invest in debt securities.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (continued)

Policies Covering Deposits and Investments (continued)

5. Credit Risk – In compliance with the City's Investment Policy, as of September 30, 2008, the City minimized credit risk losses due to default of security;
 - a. limiting investments to the safest rated securities. All the City's purchased investments in U. S. Agencies were rated AAA, AAAm, and Aaa by Standard & Poors, Fitch and Moody's respectively;
 - b. using a registered investment advisor investment and market advice; and
 - c. diversifying the investment portfolio so that potential losses on individual securities were minimized.

Investments

As of September 30, 2008, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Primary Government</u>		
U. S. Government Bonds	\$ 1,332,506	\$ 1,332,506
Investment Pools:		
MBIA	67,429	67,429
TexPool	3,424,541	3,424,541
TexSTAR	9,992,386	9,992,386
Total investment in pools:	<u>\$ 13,484,356</u>	<u>\$ 13,484,356</u>
Total investments	<u>\$ 14,816,862</u>	<u>\$ 14,816,862</u>

TexPool has been established for governmental entities in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. Finally, TexPool is rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review. The City's fair value position is stated at the value of the position upon withdrawal.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAM by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal.

MBIA is a participant of the Texas CLASS program. Texas CLASS has been established for governmental entities pursuant to the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust and enters into contracts and agreements on behalf of the Trust in order to effectuate the terms of the Trust Agreement. It also selects consultants for Texas CLASS, including the Program Administrator and the Custodian. MBIA's Texas CLASS is rated AAA by Fitch.

Concentration Risk – The City invests only in pools and U. S. Government Securities. State law authorizes the City to invest in obligations of the United States government and its agencies, commercial paper and certificates of deposit of any state or federally chartered bank. All investments made in 2008 were of the aforementioned categories. There are no positions of 5 percent or more in the securities of a single issuer.

B. PROPERTY TAXES AND RECEIVABLES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson County Appraisal District established appraisal values in accordance with requirements of the Texas Legislature.

The City Council levies taxes based upon the appraised values. Williamson County bills and collects the City's property taxes.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008 was as follows:

	October 1, 2007	Additions/ Completions	Retirements/ Adjustments	September 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 2,235,469	\$ -	\$ -	\$ 2,235,469
Construction in progress	1,455,009	2,555,721	(1,372,134)	2,638,596
Total capital assets not being depreciated	<u>3,690,478</u>	<u>2,555,721</u>	<u>(1,372,134)</u>	<u>4,874,065</u>
Capital assets being depreciated:				
Streets and bridges	41,379,074	-	4,900	41,383,974
Parks and Dams	2,659,805	-	1,251,497	3,911,302
Sidewalks, Curbs and Gutters	1,069,350	-	-	1,069,350
Buildings and improvements	8,453,339	-	97,587	8,550,926
Operating Equipment	3,380,680	211,925	(170,506)	3,422,099
Equipment in Internal Service Funds	976,370	209,120	-	1,185,490
Total capital assets being depreciated	<u>57,918,618</u>	<u>421,045</u>	<u>1,183,478</u>	<u>59,523,141</u>
Less accumulated depreciation for:				
Streets and bridges	4,140,514	1,042,854	-	5,183,368
Parks and Dams	238,836	112,227	-	351,063
Sidewalks, Curbs and Gutters	133,636	26,734	-	160,370
Buildings and improvements	889,047	224,533	-	1,113,580
Operating Equipment	2,316,416	291,055	(165,300)	2,442,171
Equipment in Internal Service Funds	404,545	194,350	-	598,895
Total accumulated depreciation	<u>8,122,994</u>	<u>1,891,753</u>	<u>(165,300)</u>	<u>9,849,447</u>
Total capital assets being depreciated, net	<u>49,795,624</u>	<u>(1,470,708)</u>	<u>1,348,778</u>	<u>49,673,694</u>
Governmental activities capital assets, net	<u>\$ 53,486,102</u>	<u>\$ 1,085,013</u>	<u>\$ (23,356)</u>	<u>\$ 54,547,759</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

	October 1, 2007	Additions/ Completions	Retirements/ Adjustments	September 30, 2008
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,296,286	\$ 18,960	\$ -	\$ 1,315,246
Construction in progress	1,729,544	5,545,945	(446,448)	6,829,041
Total capital assets not being depreciated	<u>3,025,830</u>	<u>5,564,905</u>	<u>(446,448)</u>	<u>8,144,287</u>
Capital assets being depreciated:				
Plant distribution and collection	23,986,907	427,489	-	24,414,396
Buildings	3,338,411	-	-	3,338,411
Runway	2,003,709	-	-	2,003,709
Equipment	1,074,687	23,955	(22,749)	1,075,893
Total capital assets being depreciated	<u>30,403,714</u>	<u>451,444</u>	<u>(22,749)</u>	<u>30,832,409</u>
Less accumulated depreciation for:				
Plant distribution and collection	8,724,699	722,405	-	9,447,104
Buildings	1,333,073	95,391	-	1,428,464
Runway	220,614	50,094	-	270,708
Equipment	874,929	44,836	(3,497)	916,268
Total accumulated depreciation	<u>11,153,315</u>	<u>912,726</u>	<u>(3,497)</u>	<u>12,062,544</u>
Total capital assets being depreciated, net	<u>19,250,399</u>	<u>(461,282)</u>	<u>(19,252)</u>	<u>18,769,865</u>
Business-type activities capital assets, net	<u>\$ 22,276,229</u>	<u>\$ 5,103,623</u>	<u>\$ (465,700)</u>	<u>\$ 26,914,152</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 611,065
Public safety	628,039
Public works	458,299
Internal service funds	194,350
Total depreciation expense-governmental activities	<u>\$ 1,891,753</u>
Business-type activities:	
Public Utilities Fund	\$ 820,840
Airport Fund	91,886
Total depreciation expense-business-type activities	<u>\$ 912,726</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. CAPITAL ASSETS (CONTINUED)

Changes in capital assets for the Taylor Economic Development Corporation for the year ended September 30, 2008 are as follows:

	October 1, 2007	Additions	Deletions	September 30, 2008
Office Equipment	\$ 43,388	\$ 1,942	\$ (5,558)	\$ 39,772
Less accumulated depreciation	(21,515)	(6,284)	5,558	(22,241)
	<u>\$ 21,873</u>	<u>\$ (4,342)</u>	<u>\$ -</u>	<u>\$ 17,531</u>

D. INTERFUND ACTIVITIES

Interfund receivables and payables related to negative cash positions in pooled cash equity. All balances are expected to be resolved in the current year.

Receivables:

Major Funds:

General Fund	\$ 77,268
Capital Project Funds	54,873
General Capital Improvements	638,916
I&S For CO Bonds	784

Nonmajor special revenue funds:

Hotel/Motel Fund	26,920
Texas Capital Fund	6,337
Main Street Revenue Fund	24,250
Cemetery Land Purchases	38,683
Municipal Court Special Fee	50,151
Nonmajor Special Revenue Funds	<u>146,341</u>

Nonmajor Internal Service Funds:

Equipment Services Fund	13,520
Equipment Replacement Fund	260,211
Civil Service Sick Leave Fund	62,162
Nonmajor Internal Service Funds:	<u>335,893</u>

Total Due From Other Funds	<u><u>\$ 1,254,075</u></u>
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CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. INTERFUND ACTIVITIES (CONTINUED)

Payables:

Major Funds:

Public Utilities Fund \$ 920,503

Airport Fund 276,981

Non Major Funds:

Cemetery Permanent Fund 56,591

Total Due to Other Funds \$ 1,254,075

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund -		
Civil Service Sick Leave Fund	\$ -	\$ 20,000
Police Donation Fund	421	-
Cemetery Permanent Fund	242,300	-
Hotel Motel Fund	15,400	-
Major Capital Project Fund	-	35,000
Major General Capital Improvements	-	987,718
	<u>258,121</u>	<u>1,042,718</u>
Cemetery Permanent Fund-		
General Fund	-	242,300
Police Donation Fund		
General Fund	-	421
Civil Service Sick Leave Fund		
General Fund	20,000	-
Hotel/Motel Fund		
General Fund	-	15,400
Major Capital Project Fund		
General Fund	35,000	-
Major General Capital Improvements		
General Fund	987,718	-
	<u>\$ 1,300,839</u>	<u>\$ 1,300,839</u>

Transfers between funds were primarily to support capital projects and operation of funds.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2008, in the Statement of Net Assets were as follows:

	Property (Net of Allowance)	Accounts and Other	Sales Tax	Total Receivables
General Fund	\$ 178,814	\$ 197,528	\$ 550,958	\$ 927,300
I & S for CO Bonds	43,753	-	-	43,753
Public Utilities Fund	-	971,332	-	971,332
Airport Fund	-	7,497	-	7,497
Total	<u>\$ 222,567</u>	<u>\$ 1,176,357</u>	<u>\$ 550,958</u>	<u>\$ 1,949,882</u>

Payables at September 30, 2008, in the Statement of Net Assets were as follows:

	Accounts Payable	Accrued Payroll	Deposits	Accrued Interest	Total Payables
General Fund	\$ 183,494	\$ 160,608	\$ -	\$ 99,699	\$ 443,801
Capital Project Fund	51,720	-	-	-	51,720
General Capital Improvements	252,458	-	-	-	252,458
Nonmajor Governmental Funds	80	-	-	-	80
Internal Service Fund	9,592	-	-	-	9,592
Public Utilities Fund	340,989	11,871	246,188	99,386	698,434
Airport Fund	925	-	-	2,188	3,113
Total	<u>\$ 839,258</u>	<u>\$ 172,479</u>	<u>\$ 246,188</u>	<u>\$ 201,273</u>	<u>\$ 1,459,198</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT

The following is a summary of long-term debt transactions, including current portion of the City for the year ended September 30, 2008:

	Balance October 1, 2007	Additions	Retirements	Balance September 30, 2008	Due within one year
<u>Governmental Activities</u>					
General obligation bonds	\$ 11,177,225	\$ -	\$ (510,290)	\$ 10,666,935	\$ 539,195
Certificates of Obligation	2,144,858	3,000,000	(136,538)	5,008,320	156,516
Motorola Capital Lease	-	381,545	-	381,545	62,400
Texas Department of Commerce Obligation	245,485	-	(25,021)	220,464	25,021
LaSalle Bank Capital Lease	192,864	-	(65,357)	127,507	61,418
Compensated absences	146,693	563,322	(209,786)	500,229	-
Compensated absences -internal service fund	3,575	2,527	(3,424)	2,678	-
Total governmental activities	<u>13,910,700</u>	<u>3,947,394</u>	<u>(950,416)</u>	<u>16,907,678</u>	<u>844,550</u>
<u>Business-Type Activities</u>					
Combination Tax and Revenue Bonds	13,679,088	7,000,000	(419,691)	20,259,397	462,488
General obligation bonds	377,775	-	(19,710)	358,065	20,805
Compensated absences	21,917	27,971	(32,266)	17,622	-
Total business-type activities	<u>14,078,780</u>	<u>7,027,971</u>	<u>(471,667)</u>	<u>20,635,084</u>	<u>483,293</u>
Total primary government	<u>\$ 27,989,480</u>	<u>\$ 10,975,365</u>	<u>\$ (1,422,083)</u>	<u>\$ 37,542,762</u>	<u>\$ 1,327,843</u>
<u>Component Unit</u>					
Compensated absences	\$ -	\$ 5,807	\$ -	\$ 5,807	\$ 5,807
JP Morgan Chase Note	658,775	-	(216,391)	442,384	34,254
	<u>\$ 658,775</u>	<u>\$ 5,807</u>	<u>\$ (216,391)</u>	<u>\$ 448,191</u>	<u>\$ 40,061</u>

Liabilities for accrued compensated absences are funded from general revenues for the governmental activities and program revenues for the business-type activities.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Long-term debt at September 30, 2008 is comprised of the following:

	Governmental Type Activities	Business - Type Activities
General Obligation bonds:		
\$ 4,000,000 General Obligation Bonds, Series 1998, due in annual installments through 2018, interest at 3.9% to 5.9%	\$ 2,600,000	\$ -
\$ 2,400,000 General Obligation Bonds, Series 2000, due in annual installments through 2020, interest at 4.9% to 5.5%	1,770,000	-
\$ 1,604,955 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25% to 5%	1,276,935	-
\$ 640,000 Limited Tax Notes, due in annual installments through 2009, interest at 4%	105,000	-
\$ 5,100,000 General Obligation Bonds, Series 2005, due in installments through 2025, interest at 3%-4.3%	4,915,000	
\$ 450,545 General Obligation Refunding and Improvement Bonds, Series 2002, due in annual installments through 2022, interest at 4.25%-5.00%	-	358,065
Total General Obligation bonds	<u>\$ 10,666,935</u>	<u>\$ 358,065</u>
Combination Tax and Revenue/Certificates of Obligation:		
\$ 750,000 Combination Tax and Revenue Certificates of Obligation, Series 1999, due in annual installments through 2014, interest at 5.46%	\$ 372,717	\$ -
\$ 3,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2000, due in annual installments through 2010, interest at 4.9% - 5.5%	228,473	-
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 2.5% - 4.65%	1,292,130	-
\$3,100,000 Combination Tax and Revenue Certificates of Obligation, Series 1999, due in annual installments through 2015, interest at 2.7% - 4.45%	-	1,835,000
\$ 2,950,000 Waterworks and Sewer System Revenue Bonds, Series 1997, due in annual installments through 2017, interest at 3.16% -4.41%	-	2,700,000
\$ 3,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2000, due in annual installments through 2020, interest at 4.9% - 5.5%	-	2,341,527
\$ 4,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2003, due in annual installments through 2023, interest at 2.50% to 4.65%	-	2,382,870
\$ 4,200,000 Combination Tax and Revenue Certificates of Obligation, Series 2006, due in annual installments through 2026, interest at 4.45%	115,000	4,000,000

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

	Governmental Type Activities	Business - Type Activities
\$ 10,000,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, due in annual installments through 2027, interest at 3.83%	3,000,000	7,000,000
Total Combination Tax and Revenue/Certificates of Obligation	<u>\$ 5,008,320</u>	<u>\$ 20,259,397</u>
Texas Department of Commerce:		
\$ 499,931 Obligation to the Texas Department of Commerce Texas Capital Fund, due in monthly installments of \$ 2,083 through January 2017	\$ 220,464	\$ -
Capital Leases Payable:		
\$ 507,323 Capital Lease Payable to LaSalle Bank, due in semi-annual installments through 2010, interest at 4%	127,507	-
\$ 381,545 Capital Lease Payable to Motorola, due in annual installments of \$ 66,400 through 2015, interest at 3.5%	<u>381,545</u>	<u>-</u>
Total Capital Leases Payable	<u>509,052</u>	<u>-</u>
Compensated absences	<u>\$ 502,907</u>	<u>\$ 17,622</u>
Total Debt	<u>\$ 16,907,678</u>	<u>\$ 20,635,084</u>

The annual requirements to amortize bonded, certificates of obligation, loan and lease debt at September 30, 2008, including interest, are as follows:

General Obligation Bonds

Year Ending September 30	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	Total
2009	\$ 539,195	\$ 240,118	\$ 20,805	\$ 8,334	\$ 808,452
2010	589,195	228,547	20,805	7,891	846,438
2011	622,005	215,586	22,995	7,449	868,035
2012	652,005	201,795	22,995	6,961	883,756
2013	680,910	187,203	24,090	6,460	898,663
2014-2018	3,905,935	685,518	139,065	23,468	4,753,986
2019-2023	3,017,690	270,059	107,310	6,491	3,401,550
2024-2027	<u>660,000</u>	<u>21,311</u>	<u>-</u>	<u>-</u>	<u>681,311</u>
Total	<u>\$ 10,666,935</u>	<u>\$ 2,050,137</u>	<u>\$ 358,065</u>	<u>\$ 67,054</u>	<u>\$ 13,142,191</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Certificates of Obligation

Year Ending September 30	Governmental Activities		Business - type Activities		Total
	Principal	Interest	Principal	Interest	
2009	\$ 156,516	\$ 163,702	\$ 462,488	\$ 657,855	\$ 1,440,561
2010	168,973	159,573	463,083	648,410	1,440,039
2011	174,334	154,999	825,881	638,203	1,793,417
2012	182,070	150,242	861,475	620,066	1,813,853
2013	189,992	145,242	897,071	600,852	1,833,157
2014-2018	880,859	653,599	5,134,976	2,680,144	9,349,578
2019-2023	1,055,576	517,149	6,509,423	1,793,114	9,875,262
2024-2027	2,200,000	233,822	5,105,000	476,530	8,015,352
Total	<u>\$ 5,008,320</u>	<u>\$ 2,178,328</u>	<u>\$ 20,259,397</u>	<u>\$ 8,115,174</u>	<u>\$ 35,561,219</u>

Capital Leases Payable

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2009	\$ 123,818	\$ 18,706	\$ 142,524
2010	114,505	14,665	129,170
2011	85,309	10,475	95,784
2012	54,377	8,022	62,399
2013	56,281	6,119	62,400
2014-2015	74,762	6,259	81,021
Total	<u>\$ 509,052</u>	<u>\$ 64,246</u>	<u>\$ 573,298</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. LONG-TERM DEBT (CONTINUED)

Notes Payable

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2009	\$ 25,021	\$ -	\$ 25,021
2010	25,020	-	25,020
2011	25,020	-	25,020
2012	25,020	-	25,020
2013	25,020	-	25,020
2014-2017	95,363	-	95,363
Total	<u>\$ 220,464</u>	<u>\$ -</u>	<u>\$ 220,464</u>

The City is required, under the debt covenants, to charge rates sufficient to pay all operating, maintenance, depreciation, replacement and betterment expenses, and interest and principal maturities. The City must further segregate funds monthly for the pro rata part of the next maturing principal and interest payments (the debt service revenue reserve) and must maintain a separate revenue bond reserve. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2008.

G. PRIOR PERIOD ADJUSTMENT

The City is restating net assets as of October 1, 2007 due to recognizing sales tax revenue on the susceptible to accrual method. In doing so the October and November 2007 sales tax revenue will be recorded in the 2006-07 fiscal year and the October and November 2008 will be recorded in the 2007-08 fiscal year. In prior years the difference in those months was immaterial and twelve months was recorded. Due to the economic environment changes the difference is no longer immaterial.

Government Wide Statement of Net Assets:

Net Assets, October 1, 2007, as previously recorded	\$ 46,127,155
Sales tax adjustment	666,483
Net Assets, October 1, 2007, as restated	<u>\$ 46,793,638</u>

General Fund Statement of Revenues Expenditures and Changes in Fund Balance:

Fund Balance, October 1, 2007, as previously recorded	\$ 2,870,578
Sales tax adjustment	666,483
Fund Balance, October 1, 2007, as restated	<u>\$ 3,537,061</u>

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

IV. OTHER INFORMATION

A. COMMITMENTS AND CONTINGENCIES

Other

The City is a defendant in a number of lawsuits arising principally from claims against the City for alleged improper actions by City employees. Total damages claimed are substantial; however, it has been the City's experience that such actions are usually dismissed or settled for amounts substantially less than the claimed amounts. The City Attorney estimates that the potential claims against the City not covered by various insurance policies would not materially affect the financial condition of the City.

Post-employment Healthcare Benefits

The City does provide post-employment healthcare benefits to those mandated by COBRA. But also for full-time City employees who retire from the City under the TMRS on or after January 1, 2000, and who are covered by the City's group hospitalization and medical insurance at the time of retirement, will be eligible to receive HMO or PPO hospitalization and medical insurance provided by the City to its employees, from the date of retirement until the fifth (5th) anniversary date after retirement. The City will pay the full premiums for the HMO or PPO insurance coverage for any retiree who retired between January 1, 2000 and August 11, 2005 until the fifth (5th) anniversary after retirement unless any one of the three events listed below, also pertaining to retirement after August 11, 2005, occurs. Employees retiring after August 11, 2005, shall not receive full premium payment from the City. The City will pay only the premium amount paid by the City for its active employees provided the retirees pays the difference.

1. the retiree attains the age 65, or
2. the retiree becomes eligible for hospitalization and medical insurance coverage by virtue of other employment, or
3. the retiree becomes eligible for disability retirement provided by the Federal Government.

In the event any of the conditions set forth in 1, 2 or 3 about occurs, the City shall have and reserves the right to immediately terminate both the coverage and premium payment for the City group hospitalization and medical insurance that would otherwise be provided for the retiree.

Deferred Compensation Plan

The City has established a deferred compensation plan (the 457 plan) in accordance with Internal Revenue Code, Section 457. The 457 plan, available to all employees, permits them to defer a portion of their salaries until future years. The benefits of the plan are not available to employees until termination, retirement, or unforeseeable emergency. Benefits are available to employee's beneficiaries in case of death.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

IV. OTHER INFORMATION (CONTINUED)

A. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Deferred Compensation Plan (Continued)

All amounts of compensation deferred under the 457 plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan) subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City that the City has no liability for investment losses under the 457 plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the 457 plan assets to satisfy the claims of general creditors in the future.

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The City uses various commercial carriers to insure against these risks. Settled claims did not exceed the coverage for any of the past three fiscal years.

C. EMPLOYEE RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide *Texas Municipal Retirement System (TMRS)*, one of 827 administered by *TMRS*, an agent multiple-employer public employee retirement system. Each of the 827 municipalities has an annual individual actuarial valuation performed, the following assumptions utilized by *TMRS*, and applicable 6-year trend information are contained in the 2007 *TMRS Comprehensive Annual Financial Report*, a copy of which can be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Actuarial Cost Method –	Projected Unit Credit
Amortization Method –	Level Percent of Payroll
Remaining Amortization Period –	30 Years – Closed Period
Asset Valuation Method –	Amortized Cost
Investment Rate of Return –	7%
Projected Salary Increases –	Varies by age and service
Includes Inflation At –	3.0%
Cost of Living Adjustments	2.10% (3.0% CPI)

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN (CONTINUED)

Plan Description (Continued)

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actual accrued liability would have been \$ 3,885,024 and the funded ratio would have been 64.7%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

CITY OF TAYLOR, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2008

IV. OTHER INFORMATION (CONTINUED)

C. EMPLOYEE RETIREMENT PLAN

Plan Description (continued)

The December 31, 2007 calculations were based upon the following benefits. Members can retire at certain ages, based on the years of service to the City. The Service Retirement Eligibilities for the City are: with 10 yrs/age 60; with 20 yrs/any age. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions were as follows:

Deposit rate:	7%
Matching Ratio (City to Employee):	1.5-1%
A member is vested after	10 years

Contributions

Under the state law governing *TMRS*, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2007 valuation is effective for rates beginning January 2009).

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2003	\$ 415,093	100%	\$ -
9/30/2004	404,000	100%	-
9/30/2005	421,441	100%	-
9/30/2006	443,766	100%	-
9/30/2007	544,083	100%	-
9/30/2008	598,277	100%	-

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF TAYLOR, TEXAS
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2008**

Actuarial Valuation Date	Actuarial Value for Assets	Actuarial Accrued Liability (AAL) Unit Credit	Percentage Funded (1)/(2)	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Payroll (4)/(5)
12/31/2004	\$ 5,248,485	\$ 7,999,265	65.60%	\$ 2,750,780	\$ 4,913,750	56.00%
12/31/2005	5,913,268	8,690,290	68.00%	2,777,022	4,981,696	55.70%
12/31/2006	6,202,873	9,807,829	63.24%	3,604,956	5,368,408	67.15%
12/31/2007	7,120,843	12,742,809	55.90%	5,621,966	5,590,867	100.60%

NONMAJOR GOVERNMENTAL FUNDS

**CITY OF TAYLOR, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	Hotel/ Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases	Municipal Court Special Fee	Police Donation Fund
<u>ASSETS</u>						
Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund receivables	26,920	6,337	24,250	38,683	50,151	-
Total assets	<u>\$ 26,920</u>	<u>\$ 6,337</u>	<u>\$ 24,250</u>	<u>\$ 38,683</u>	<u>\$ 50,151</u>	<u>\$ -</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities -						
Accounts payable	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ -
Interfund payables	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances -						
Reserved for cemetery	-	-	-	-	-	-
Unreserved - undesignated	26,920	6,257	24,250	38,683	50,151	-
Total fund balances	<u>26,920</u>	<u>6,257</u>	<u>24,250</u>	<u>38,683</u>	<u>50,151</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 26,920</u>	<u>\$ 6,337</u>	<u>\$ 24,250</u>	<u>\$ 38,683</u>	<u>\$ 50,151</u>	<u>\$ -</u>

<u>TIF Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>Cemetery Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 102,420	\$ 102,420	\$ 825,893	\$ 928,313
-	146,341	-	146,341
<u>\$ 102,420</u>	<u>\$ 248,761</u>	<u>\$ 825,893</u>	<u>\$ 1,074,654</u>
\$ -	\$ 80	\$ -	\$ 80
-	-	56,591	56,591
-	80	56,591	56,671
-	-	769,302	769,302
102,420	248,681	-	248,681
<u>102,420</u>	<u>248,681</u>	<u>769,302</u>	<u>1,017,983</u>
<u>\$ 102,420</u>	<u>\$ 248,761</u>	<u>\$ 825,893</u>	<u>\$ 1,074,654</u>

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Hotel/ Motel Fund	Texas Capital Fund	Main Street Revenue Fund	Cemetery Land Purchases	Municipal Court Special Fee	Police Donation Fund
Revenues -						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	3,332	15,496	-
Hotel occupancy tax	99,597	-	-	-	-	-
Investment revenue	-	-	-	-	-	-
Rents and royalties	-	25,021	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Other revenue	-	-	20,758	-	-	-
Total revenues	<u>99,597</u>	<u>25,021</u>	<u>20,758</u>	<u>3,332</u>	<u>15,496</u>	<u>-</u>
Expenditures -						
Current-						
General government	74,697	-	20,879	-	6,733	-
Debt service: principal	-	25,021	-	-	-	-
Total expenditures	<u>74,697</u>	<u>25,021</u>	<u>20,879</u>	<u>-</u>	<u>6,733</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>24,900</u>	<u>-</u>	<u>(121)</u>	<u>3,332</u>	<u>8,763</u>	<u>-</u>
Other financing uses -						
Transfers out	(15,400)	-	-	-	-	(421)
Total other financing uses	<u>(15,400)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(421)</u>
Net change in fund balances	9,500	-	(121)	3,332	8,763	(421)
Fund balances, beginning of year	<u>17,420</u>	<u>6,257</u>	<u>24,371</u>	<u>35,351</u>	<u>41,388</u>	<u>421</u>
Fund balances, end of year	<u>\$ 26,920</u>	<u>\$ 6,257</u>	<u>\$ 24,250</u>	<u>\$ 38,683</u>	<u>\$ 50,151</u>	<u>\$ -</u>

TIF Fund	Total Nonmajor Special Revenue Funds	Cemetery Permanent Fund	Total Nonmajor Governmental Funds
\$ 39,783	\$ 39,783	\$ -	\$ 39,783
-	18,828	16,658	35,486
-	99,597	-	99,597
1,654	1,654	21,182	22,836
-	25,021	-	25,021
25,133	25,133	-	25,133
-	20,758	-	20,758
<u>66,570</u>	<u>230,774</u>	<u>37,840</u>	<u>268,614</u>
-	102,309	55	102,364
-	25,021	-	25,021
-	<u>127,330</u>	<u>55</u>	<u>127,385</u>
<u>66,570</u>	<u>103,444</u>	<u>37,785</u>	<u>141,229</u>
-	(15,821)	(242,300)	(258,121)
-	<u>(15,821)</u>	<u>(242,300)</u>	<u>(258,121)</u>
66,570	87,623	(204,515)	(116,892)
<u>35,850</u>	<u>161,058</u>	<u>973,817</u>	<u>1,134,875</u>
<u>\$ 102,420</u>	<u>\$ 248,681</u>	<u>\$ 769,302</u>	<u>\$ 1,017,983</u>

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
HOTEL/MOTEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues-				
Hotel occupancy tax	\$ 80,000	\$ 92,854	\$ 99,597	\$ 6,743
Total revenues	<u>80,000</u>	<u>92,854</u>	<u>99,597</u>	<u>6,743</u>
Expenditures-				
Current				
General government	60,000	69,640	74,697	(5,057)
Total expenditures	<u>60,000</u>	<u>69,640</u>	<u>74,697</u>	<u>(5,057)</u>
Excess of revenues over expenditures	<u>20,000</u>	<u>23,214</u>	<u>24,900</u>	<u>1,686</u>
Other financing uses-				
Transfers out	-	(15,400)	(15,400)	-
Total other financing uses	<u>-</u>	<u>(15,400)</u>	<u>(15,400)</u>	<u>-</u>
Net change in fund balances	<u>\$ 20,000</u>	<u>\$ 7,814</u>	9,500	<u>\$ 1,686</u>
Fund balance, October 1, 2007			<u>17,420</u>	
Fund balance, September 30, 2008			<u>\$ 26,920</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
TEXAS CAPITAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance-
	Original	Final	Actual	Positive (Negative)
Revenues-				
Rents and Royalties	\$ 25,021	\$ 25,021	\$ 25,021	\$ -
Total revenues	25,021	25,021	25,021	-
Expenditures-				
Debt service -				
Principal retirement	25,021	25,021	25,021	-
Total expenditures	25,021	25,021	25,021	-
Excess of revenues over expenditures	\$ -	\$ -	-	\$ -
Fund balance, October 1, 2007			6,257	
Fund balance, September 30, 2008			\$ 6,257	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
POLICE DONATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance-
	Original	Final	Actual	Positive (Negative)
Revenues-				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Other financing uses				
Transfers out	-	(427)	(421)	6
Total financing uses	-	(427)	(421)	6
Net change in fund balances	\$ -	\$ (427)	(421)	\$ 6
Fund balance, October 1, 2007			421	
Fund balance, September 30, 2008			\$ -	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
MAIN STREET REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues-				
Intergovernmental revenue	\$ -	\$ 1,000	\$ -	\$ (1,000)
Other revenue	14,500	19,757	20,758	1,001
Total revenues	14,500	20,757	20,758	1
Expenditures-				
Current				
General government	15,300	25,800	20,879	4,921
Total expenditures	15,300	25,800	20,879	4,921
Excess (deficiency) of revenues over expenditures	\$ (800)	\$ (5,043)	(121)	\$ 4,922
Fund balance, October 1, 2007			24,371	
Fund balance, September 30, 2008			\$ 24,250	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
CEMETERY LAND PURCHASES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance-
	Original	Final	Actual	Positive (Negative)
Revenues-				
Charges for services	\$ 2,800	\$ 2,800	\$ 3,332	\$ 532
Total revenues	<u>2,800</u>	<u>2,800</u>	<u>3,332</u>	<u>532</u>
Excess of revenues over expenditures	<u>\$ 2,800</u>	<u>\$ 2,800</u>	3,332	<u>532</u>
Fund balance, October 1, 2007			<u>35,351</u>	
Fund balance, September 30, 2008			<u>\$ 38,683</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
MUNICIPAL COURT SPECIAL FEE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance-
	Original	Final	Actual	Positive (Negative)
Revenues-				
Charges for services	\$ 17,500	\$ 17,500	\$ 15,496	\$ (2,004)
Total revenues	<u>17,500</u>	<u>17,500</u>	<u>15,496</u>	<u>(2,004)</u>
Expenditures-				
Current				
General government	6,975	6,975	6,733	242
Total expenditures	<u>6,975</u>	<u>6,975</u>	<u>6,733</u>	<u>242</u>
Excess of revenues over expenditures	<u>\$ 10,525</u>	<u>\$ 10,525</u>	8,763	<u>\$ (1,762)</u>
Fund balance, October 1, 2007			<u>41,388</u>	
Fund balance, September 30, 2008			<u>\$ 50,151</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
TIF FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance-
	Original	Final	Actual	Positive (Negative)
Revenues-				
Property taxes				
including interest and penalties	\$ -	\$ 39,783	\$ 39,783	\$ -
Investment and other	-	1,400	1,654	254
Intergovernmental	-	25,133	25,133	-
Total revenues	-	66,316	66,570	254
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 66,316</u>	66,570	<u>\$ 254</u>
Fund balance, October 1, 2007			<u>35,850</u>	
Fund balance, September 30, 2008			<u>\$ 102,420</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
CEMETERY PERMANENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues-				
Charges for services	\$ 12,000	\$ 12,000	\$ 16,658	\$ 4,658
Investment	36,000	36,000	21,182	(14,818)
Total revenues	<u>48,000</u>	<u>48,000</u>	<u>37,840</u>	<u>(10,160)</u>
Expenditures-				
Current				
General government	2,500	2,500	55	2,445
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>55</u>	<u>2,445</u>
Excess (deficiency) of revenues over expenditures	<u>45,500</u>	<u>45,500</u>	<u>37,785</u>	<u>(7,715)</u>
Other financing uses				
Transfers out	30,000	30,000	242,300	(212,300)
Total financing uses	<u>30,000</u>	<u>30,000</u>	<u>242,300</u>	<u>(212,300)</u>
Net change in fund balances	<u>\$ 15,500</u>	<u>\$ 15,500</u>	<u>(204,515)</u>	<u>\$ (220,015)</u>
Fund balance, October 1, 2007			<u>973,817</u>	
Fund balance, September 30, 2008			<u>\$ 769,302</u>	

CITY OF TAYLOR, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
I & S FOR CO BONDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Variance- Positive (Negative)
	Original	Final	Actual	
Revenues-				
Property taxes				
including interest and penalties	\$ 1,257,633	\$ 1,296,035	\$ 1,305,485	\$ 9,450
Investment	28,000	19,427	18,800	(627)
Total revenues	<u>1,285,633</u>	<u>1,315,462</u>	<u>1,324,285</u>	<u>8,823</u>
Expenditures-				
Current				
General government	5,900	5,900	5879	21
Debt service -				
Principal retirement	646,828	646,156	646,828	(672)
Interest and fiscal charges	603,797	679,791	679,119	672
Total expenditures	<u>1,256,525</u>	<u>1,331,847</u>	<u>1,331,826</u>	<u>21</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 29,108</u>	<u>\$ (16,385)</u>	<u>(7,541)</u>	<u>\$ 8,844</u>
Fund balance, October 1, 2007			<u>162,681</u>	
Fund balance, September 30, 2008			<u>\$ 155,140</u>	

INTERNAL SERVICE FUNDS

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2008

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
ASSETS				
Current Assets:				
Due from other funds	\$ 13,520	\$ 260,211	\$ 62,162	\$ 335,893
Total Current Assets	13,520	260,211	62,162	335,893
Noncurrent Assets:				
Capital Assets:				
Machinery and equipment	-	1,185,490	-	1,185,490
Accumulated depreciation	-	(598,895)	-	(598,895)
Total Noncurrent Assets	-	586,595	-	586,595
Total Assets	13,520	846,806	62,162	922,488
LIABILITIES				
Current Liabilities:				
Accounts payable	8,992	600	-	9,592
Compensated absences payable	2,678	-	-	2,678
Capital lease payable	-	61,418	-	61,418
Total Current Liabilities	11,670	62,018	-	73,688
Noncurrent Liabilities:				
Capital leases payable	-	66,089	-	66,089
Total Noncurrent Liabilities	-	66,089	-	66,089
Total Liabilities	11,670	128,107	-	139,777
NET ASSETS				
Invested in capital assets, net of related debt	-	459,088	-	459,088
Unrestricted net assets	1,850	259,611	62,162	323,623
Total Net Assets	\$ 1,850	\$ 718,699	\$ 62,162	\$ 782,711

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
OPERATING REVENUES:				
Charges for services	\$ 671,707	\$ 260,990	\$ -	\$ 932,697
Total Operating Revenues	671,707	260,990	-	932,697
OPERATING EXPENSES:				
Personnel services	109,074	-	26,489	135,563
Contractual services	559,510	-	-	559,510
Depreciation	-	194,351	-	194,351
Total operating expenses	668,584	194,351	26,489	889,424
Operating Income (Loss)	3,123	66,639	(26,489)	43,273
NON-OPERATING REVENUES (EXPENSES):				
Interest expense - non-operating	-	(1,413)	-	(1,413)
Gain on sale of assets	-	780	-	780
Total Non-operating Revenue (Expenses)	-	(633)	-	(633)
Income (Loss) before transfers	3,123	66,006	(26,489)	42,640
Transfers in	-	-	20,000	20,000
Change in Net Assets	3,123	66,006	(6,489)	62,640
Total Net Assets (Deficit) - beginning of year	(1,273)	652,693	68,651	720,071
Total Net Assets - end of year	\$ 1,850	\$ 718,699	\$ 62,162	\$ 782,711

CITY OF TAYLOR, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Equipment Services Fund	Equipment Replacement Fund	Civil Service Sick Leave	Total Internal Service Funds
Cash flows from Operating Activities:				
Cash received from user charges	\$ 671,707	\$ 260,210	\$ -	\$ 931,917
Cash payments to employees for services	(109,971)	-	(26,489)	(136,460)
Cash payments for suppliers	(562,029)	-	-	(562,029)
Net Cash Provided (Used) by Operating Activities	(293)	260,210	(26,489)	233,428
Cash flows from Noncapital Financing Activities:				
(Increase) decrease in amounts due/from other funds	293	14,121	6,489	20,903
Transfers in	-	-	20,000	20,000
Net Cash Provided by Noncapital Financing Activities	293	14,121	26,489	40,903
Cash flows from Capital and Related Financing Activities:				
Acquisition of capital assets, net of disposals	-	(207,561)	-	(207,561)
Principal paid on debt	-	(65,357)	-	(65,357)
Interest and fiscal charges paid	-	(1,413)	-	(1,413)
Net Cash Used by Capital & Related Financing Activities	-	(274,331)	-	(274,331)
Net Decrease in Cash and Cash Equivalents	-	-	-	-
Cash and Cash Equivalents at Beginning of the Year	-	-	-	-
Cash and Cash Equivalents at End of the Year	\$ -	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 3,123	\$ 66,639	\$ (26,489)	\$ 43,273
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	194,351	-	194,351
Gain on disposal of assets	-	(780)	-	(780)
Increase (decrease) in accounts payable	(2,519)	-	-	(2,519)
Increase (decrease) in accrued payroll	(897)	-	-	(897)
Net Cash Provided (Used) by Operating Activities	\$ (293)	\$ 260,210	\$ (26,489)	\$ 233,428

STATISTICAL SECTION (UNAUDITED)

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**CITY OF TAYLOR
STATISTICAL SECTION
(UNAUDITED)**

This part of the City of Taylor's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF TAYLOR, TEXAS
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities			
Invested in capital assets, net of related debt	\$40,988,706	\$40,723,892	\$35,593,811
Restricted	1,353,386	2,092,597	5,447,454
Unrestricted	4,481,859	3,310,666	2,087,890
	<u> </u>	<u> </u>	<u> </u>
Total governmental activities net assets	<u>\$46,823,951</u>	<u>\$46,127,155</u>	<u>\$43,129,155</u>
 Business-type activities			
Invested in capital assets, net of related debt	\$12,539,086	\$12,577,691	\$10,378,556
Unrestricted	82,049	184,104	1,277,532
	<u> </u>	<u> </u>	<u> </u>
Total business-type activities net assets	<u>\$12,621,135</u>	<u>\$12,761,795</u>	<u>\$11,656,088</u>
 Primary government			
Invested in capital assets, net of related debt	\$53,527,792	\$53,301,583	\$45,972,367
Restricted	1,353,386	2,092,597	5,447,454
Unrestricted	4,563,908	3,494,770	3,365,422
	<u> </u>	<u> </u>	<u> </u>
Total primary government net assets	<u>\$59,445,086</u>	<u>\$58,888,950</u>	<u>\$54,785,243</u>

Source: Audited Financial Statements of City of Taylor, Texas.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$27,060,385	\$30,242,702	\$29,396,412	\$33,038,209
7,801,262	2,774,506	3,947,062	2,201,633
2,250,623	1,483,254	1,756,118	(824,044)
<u>\$37,112,270</u>	<u>\$34,500,462</u>	<u>\$35,099,592</u>	<u>\$34,415,798</u>
\$ 7,768,365	\$ 8,777,087	\$ 1,872,132	\$ 5,692,741
1,504,663	4,043,256	4,285,025	1,465,899
<u>\$ 9,273,028</u>	<u>\$12,820,343</u>	<u>\$ 6,157,157</u>	<u>\$ 7,158,640</u>
\$34,828,750	\$39,019,789	\$31,268,544	\$38,730,950
7,801,262	2,774,506	3,947,062	2,201,633
3,755,286	5,526,510	6,041,143	641,855
<u>\$46,385,298</u>	<u>\$47,320,805</u>	<u>\$41,256,749</u>	<u>\$41,574,438</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

CITY OF TAYLOR, TEXAS
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	2008	2007	2006
Expenses			
Governmental activities:			
General government	\$ 4,682,994	\$ 3,791,089	\$ 3,740,078
Public safety	5,079,499	4,043,066	4,161,454
Public works	3,912,591	3,422,645	3,118,037
Culture and recreation	-	-	226,110
Interest on long-term debt	704,241	655,537	681,884
Other	-	-	-
Total governmental activities expenses	<u>14,379,325</u>	<u>11,912,337</u>	<u>11,927,563</u>
Business-type activities:			
Public utilities fund	6,282,526	5,820,213	5,948,540
Airport fund	599,040	421,971	395,886
Interest on long-term debt	-	-	-
Other	-	-	-
Total business-type activities expenses	<u>6,881,566</u>	<u>6,242,184</u>	<u>6,344,426</u>
Total primary government expenses	<u><u>\$ 21,260,891</u></u>	<u><u>\$ 18,154,521</u></u>	<u><u>\$ 18,271,989</u></u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 3,650,952	\$ 3,132,354	\$ 3,169,711
Public safety	305,708	331,605	281,661
Public works	-	-	-
Culture and recreation	-	-	-
Operating grants and contributions	-	-	-
Capital grants and contributions	476,057	1,335,302	908,961
Other	-	-	-
Total governmental activities program revenues	<u>4,432,717</u>	<u>4,799,261</u>	<u>4,360,333</u>
Business-type activities:			
Charges for services:			
Public utilities fund	5,845,601	5,141,474	5,033,084
Airport fund	607,746	387,224	354,033
Capital grants and contributions	-	825,814	109,702
Total business-type activities program revenue	<u>6,453,347</u>	<u>6,354,512</u>	<u>5,496,819</u>
Total primary government program revenues	<u><u>\$ 10,886,064</u></u>	<u><u>\$ 11,153,773</u></u>	<u><u>\$ 9,857,152</u></u>

Source: Audited Financial Statements of City of Taylor, Texas

2005	2004	2003	2002
\$ 2,636,013	\$ 3,314,123	\$ 943,250	\$ 1,063,670
3,743,894	4,135,542	3,449,803	3,395,614
3,300,004	2,912,174	3,496,627	3,176,893
463,835	141,546	701,197	648,782
454,224	514,207	448,735	430,559
-	-	489,757	335,672
<u>10,597,970</u>	<u>11,017,592</u>	<u>9,529,369</u>	<u>9,051,190</u>
5,432,576	3,030,511	4,652,811	2,003,443
318,448	248,850	228,882	-
-	-	704,827	660,981
-	-	3,351	766,364
<u>5,751,024</u>	<u>3,279,361</u>	<u>5,589,871</u>	<u>3,430,788</u>
<u>\$ 16,348,994</u>	<u>\$ 14,296,953</u>	<u>\$ 15,119,240</u>	<u>\$ 12,481,978</u>
\$ 2,292,637	\$ 2,171,567	\$ 1,845,099	\$ 770,795
232,280	356,500	307,994	300,444
3,382	-	-	-
4,740	39,438	-	37,795
118,577	59,984	-	315,338
385,437	-	1,060,221	5,596
-	-	1,052,300	-
<u>3,037,053</u>	<u>2,627,489</u>	<u>4,265,614</u>	<u>1,429,968</u>
4,832,243	4,894,120	4,309,897	4,025,449
254,490	119,924	202,773	-
225,698	9,708	-	-
<u>5,312,431</u>	<u>5,023,752</u>	<u>4,512,670</u>	<u>4,025,449</u>
<u>\$ 8,349,484</u>	<u>\$ 7,651,241</u>	<u>\$ 8,778,284</u>	<u>\$ 5,455,417</u>

(Continued)

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

CITY OF TAYLOR, TEXAS
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS (CONTINUED)
(accrual basis of accounting)
UNAUDITED

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net (Expenses) Revenue			
Governmental activities	\$ (9,946,608)	\$ (7,113,076)	\$ (7,567,230)
Business-type activities	(428,219)	112,328	(847,607)
Total primary government net expense	<u>\$ (10,374,827)</u>	<u>\$ (7,000,748)</u>	<u>\$ (8,414,837)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
Property taxes	\$ 5,589,548	\$ 5,183,652	\$ 4,723,464
Franchise taxes	764,227	719,411	792,962
Sales taxes	3,020,333	3,431,242	2,237,062
Hotel occupancy taxes	99,597	81,482	60,514
Investment earnings	301,223	446,973	627,190
Miscellaneous	201,993	248,316	243,341
Total governmental activities	<u>9,976,921</u>	<u>10,111,076</u>	<u>8,684,533</u>
Business-type activities:			
Investment earnings	239,913	233,859	70,441
Miscellaneous	47,646	70,854	591,488
Total business-type activities	<u>287,559</u>	<u>304,713</u>	<u>661,929</u>
Total primary government	<u><u>\$ 10,264,480</u></u>	<u><u>\$ 10,415,789</u></u>	<u><u>\$ 9,346,462</u></u>
Change in Net Assets			
Governmental activities	\$ 30,313	\$ 2,998,000	\$ 1,117,303
Business-type activities	(140,660)	417,041	(185,678)
Total primary government	<u><u>\$ (110,347)</u></u>	<u><u>\$ 3,415,041</u></u>	<u><u>\$ 931,625</u></u>

Source: Audited Financial Statements of City of Taylor, Texas

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ (7,560,917)	\$ (8,390,103)	\$ (5,263,755)	\$ (7,621,222)
(438,593)	1,744,391	(1,077,201)	594,661
<u>\$ (7,999,510)</u>	<u>\$ (6,645,712)</u>	<u>\$ (6,340,956)</u>	<u>\$ (7,026,561)</u>

\$ 4,380,395	\$ 4,246,128	\$ 3,461,590	\$ 3,559,046
780,219	660,212	741,849	679,601
2,097,890	1,913,789	1,644,947	1,709,022
46,773	40,825	37,690	45,288
171,853	89,106	81,937	189,889
1,262,317	105,865	(20,464)	1,803,376
<u>8,739,447</u>	<u>7,055,925</u>	<u>5,947,549</u>	<u>7,986,222</u>

160,785			122,631
59,731	210,836	75,717	(1,314,282)
220,516	210,836	75,717	(1,191,651)
<u>\$ 8,959,963</u>	<u>\$ 7,266,761</u>	<u>\$ 6,023,266</u>	<u>\$ 6,794,571</u>

\$ 1,178,530	\$ (1,334,178)	\$ 683,794	\$ 365,000
(218,077)	1,955,227	(1,001,484)	(596,990)
<u>\$ 960,453</u>	<u>\$ 621,049</u>	<u>\$ (317,690)</u>	<u>\$ (231,990)</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

CITY OF TAYLOR, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

<u>Fiscal Year</u>	<u>Property</u>	<u>Sales & Use</u>	<u>Occupancy (Mobile Home)</u>	<u>Franchise Revenue</u>	<u>Other</u>	<u>Total</u>
2002	\$ 3,559,246	\$ 1,709,022	\$ 250	\$ 679,351	\$ 45,288	\$ 5,993,157
2003	3,461,590	1,644,947	1,050	740,799	37,690	5,886,076
2004	4,290,656	1,913,789	250	659,962	40,825	6,905,482
2005	4,380,395	2,097,890	250	779,969	46,773	7,305,277
2006	4,723,464	2,237,062	500	792,462	60,514	7,814,002
2007	5,183,652	3,431,242	750	718,661	81,482	9,415,787
2008	5,589,548	3,020,333	250	763,977	99,597	9,473,705

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

CITY OF TAYLOR, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

Fiscal Year	Property	Sales & Use	Occupancy (Mobile Home)	Franchise Revenue ¹	Other	Total
1999	\$ 2,421,905	\$ 1,379,332	\$ 1,250	\$ -	\$ 55,220	\$ 3,857,707
2000	2,597,285	1,604,769	250	-	169,246	4,371,550
2001	3,111,333	1,826,298	750	-	175,995	5,114,376
2002	3,466,913	1,709,022	250	679,351	45,288	5,900,824
2003	3,440,532	1,644,947	1,050	740,799	37,690	5,865,018
2004	4,223,093	1,913,789	250	659,962	40,825	6,837,919
2005	4,292,903	2,097,890	250	779,969	46,773	7,217,785
2006	4,722,459	2,237,062	500	792,462	60,514	7,812,997
2007	5,125,816	3,431,242	750	718,661	81,482	9,357,951
2008	5,509,438	3,020,333	250	763,977	99,597	9,393,595

¹ Until fiscal year 2000, franchise tax was included as "tax" revenue. It was reclassified after 2000 to "Fees for Services" and prior year amounts were adjusted to reflect this current classification.

CITY OF TAYLOR, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund				
Unreserved	<u>\$ 3,809,353</u>	<u>\$ 2,870,578</u>	<u>\$ 1,723,314</u>	<u>\$ 1,477,018</u>
Total general fund	<u><u>\$ 3,809,353</u></u>	<u><u>\$ 2,870,578</u></u>	<u><u>\$ 1,723,314</u></u>	<u><u>\$ 1,477,018</u></u>
 All Other Governmental Funds				
Reserved	\$ 4,702,011	\$ 3,090,819	\$ 5,447,454	\$ 877,280
Unreserved, reported in:				
Special revenue funds	248,681	161,058	106,282	85,325
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,647,408</u>
Total all other governmental funds	<u><u>\$ 4,950,692</u></u>	<u><u>\$ 3,251,877</u></u>	<u><u>\$ 5,553,736</u></u>	<u><u>\$ 8,610,013</u></u>

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>	<u>\$ 1,372,674</u>	<u>\$ 1,185,208</u>	<u>\$ 1,073,035</u>
<u>\$ 1,506,540</u>	<u>\$ 1,718,417</u>	<u>\$ 1,319,007</u>	<u>\$ 1,372,674</u>	<u>\$ 1,185,208</u>	<u>\$ 1,073,035</u>
\$ 2,844,708	\$ 3,947,062	\$ 2,201,633	\$ 2,041,167	\$ 936,196	\$ 2,109,394
97,400	102,595	98,938	74,094	54,512	88,999
-	-	-	-	-	-
<u>\$ 2,942,108</u>	<u>\$ 4,049,657</u>	<u>\$ 2,300,571</u>	<u>\$ 2,115,261</u>	<u>\$ 990,708</u>	<u>\$ 2,198,393</u>

CITY OF TAYLOR, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	2008	2007	2006	2005
Revenues				
Taxes	\$ 9,442,425	\$ 9,414,268	\$ 7,881,607	\$ 7,261,659
Licenses, permits, and fees	129,750	160,260	190,797	152,579
Charges for services	2,604,165	2,125,876	2,064,751	2,140,058
Fines and forfeitures	305,708	331,605	281,661	237,020
Special assessments	-	-	2,049	3,382
Intergovernmental	476,057	1,335,302	615,261	504,014
Other revenues	201,213	248,316	241,292	91,458
Investment earnings	301,223	446,973	664,090	171,853
Contributions	-	-	293,700	12,304
Total revenues	<u>13,460,541</u>	<u>14,062,600</u>	<u>12,235,208</u>	<u>10,574,327</u>
Expenditures				
Current:				
General government	3,281,548	2,772,560	2,370,078	2,371,916
Public safety	4,199,718	3,790,923	3,640,964	3,305,776
Public works	3,528,574	3,238,648	2,738,220	3,016,854
Culture and recreation	-	-	85,437	329,137
Debt Service:				
Principal retirement	671,849	737,611	625,775	539,993
Interest and fiscal changes	700,119	633,982	670,835	469,630
Other	-	-	-	-
Capital outlay:	2,469,171	4,213,471	4,840,710	2,840,810
Total expenditures	<u>14,850,979</u>	<u>15,387,195</u>	<u>14,972,019</u>	<u>12,874,116</u>
Excess (deficiency) of revenues over expenditures	<u>(1,390,438)</u>	<u>(1,324,595)</u>	<u>(2,736,811)</u>	<u>(2,299,789)</u>
Other financing sources (uses):				
Debt issuance	3,000,000	200,000	-	5,092,750
Lease issuance	381,545	-	-	1,752,444
Transfers in	1,280,839	351,636	600,000	10,500
Transfers out	(1,300,839)	(381,636)	(673,170)	(10,500)
Total other financing sources (uses)	<u>3,361,545</u>	<u>170,000</u>	<u>(73,170)</u>	<u>6,845,194</u>
Net change in fund balances	<u>\$ 1,971,107</u>	<u>\$ (1,154,595)</u>	<u>\$ (2,809,981)</u>	<u>\$ 4,545,405</u>
Debt service as percentage of noncapital expenditures	11.1%	12.3%	12.8%	10.1%

2004	2003	2002	2001	2000	1999
\$ 6,882,447	\$ 5,925,018	\$ 5,221,223	\$ 5,113,626	\$ 4,926,400	\$ 4,390,702
327,022	1,845,099	2,577,974	1,610,123	823,920	693,977
1,971,913	-	-	-	-	-
202,803	307,994	-	-	-	-
26,904	-	-	-	-	-
32,592	1,060,221	281,856	927,751	698,670	1,382,719
95,622	1,052,300	286,903	871,371	216,069	665,607
89,106	81,937	189,889	281,955	179,168	138,093
31,970	-	-	-	-	-
<u>9,660,379</u>	<u>10,272,569</u>	<u>8,557,845</u>	<u>8,804,826</u>	<u>6,844,227</u>	<u>7,271,098</u>
2,352,231	823,981	860,675	931,084	936,152	767,656
3,677,702	3,294,388	3,277,094	3,087,873	2,811,217	2,167,885
2,593,956	2,377,640	2,307,403	1,566,835	1,110,093	1,165,620
123,862	685,656	635,976	630,083	435,259	381,503
499,889	373,230	617,779	515,837	370,718	228,744
492,610	475,214	-	-	-	-
-	489,757	335,672	602,551	601,807	1,181,770
<u>1,974,044</u>	<u>1,103,494</u>	<u>3,178,065</u>	<u>3,152,506</u>	<u>2,312,497</u>	<u>3,354,581</u>
<u>11,714,294</u>	<u>9,623,360</u>	<u>11,212,664</u>	<u>10,486,769</u>	<u>8,577,743</u>	<u>9,247,759</u>
<u>(2,053,915)</u>	<u>649,209</u>	<u>(2,654,819)</u>	<u>(1,681,943)</u>	<u>(1,733,516)</u>	<u>(1,976,661)</u>
-	1,575,000	2,244,955	2,711,150	-	750,000
-	-	-	-	-	-
133,504	18,990	895,605	430,874	795,533	261,890
<u>(133,504)</u>	<u>(94,707)</u>	<u>(354,105)</u>	<u>(148,062)</u>	<u>(157,529)</u>	<u>(175,199)</u>
-	1,499,283	2,786,455	2,993,962	638,004	836,691
<u>\$ (2,053,915)</u>	<u>\$ 2,148,492</u>	<u>\$ 131,636</u>	<u>\$ 1,312,019</u>	<u>\$ (1,095,512)</u>	<u>\$ (1,139,970)</u>
10.2%	10.0%	7.7%	7.0%	5.9%	3.9%

CITY OF TAYLOR, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended Sept 30	Real Property			Personal Property		Less Exemptions Real Property
	Residential Assessed Value	Commercial Assessed Value	Agriculture	Personal	Other	
1999	\$ 237,236	\$ 102,920	\$ 9,700	\$ 98,813	\$ -	\$ 33,753
2000	265,987	119,916	11,584	96,405	-	26,319
2001	287,811	124,064	12,078	107,820	-	30,826
2002	331,354	106,857	13,448	127,895	-	27,400
2003	333,952	178,568	18,188	119,937	-	53,254
2004	351,100	203,593	17,608	110,000	-	57,047
2005	373,469	255,778	19,487	85,862	-	71,081
2006	394,317	236,063	23,783	59,329	-	50,375
2007	423,939	192,852	32,873	108,373	-	58,184
2008	462,462	190,589	34,222	99,778	-	24,802

Notes: The appraisal of property within the City is the responsibility of the Williamson County Appraisal District. The Appraisal District is required under the Texas Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal, and the market data comparison basis of appraisal, and the method considered most appropriate by the chief appraiser is to be used. The value placed upon property within the Appraisal District is subject to review by a three member Appraisal Review Board.

Source: Williamson County Appraisal District Reports

Total Assessed Value	Tax Rate	Estimated Tax Value	Ratio of Total Assessed Value to Total Estimated Actual Value
\$ 414,916	\$ 0.62753	\$ 414,916	100.0%
467,573	0.62920	467,573	100.0%
500,947	0.69421	500,947	100.0%
552,154	0.71452	552,154	100.0%
597,391	0.74876	597,391	100.0%
625,254	0.74000	625,254	100.0%
663,515	0.78650	663,515	100.0%
663,117	0.79500	663,117	100.0%
699,853	0.79000	699,853	100.0%
762,249	0.79000	762,249	100.0%

**CITY OF TAYLOR, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	CITY OF TAYLOR			WILLIAMSON COUNTY			
	Operating	Debt Service	Total Rate	Operating	Debt Service	RD/FM Operating	Total Rate
1999	\$ 0.57534	\$ 0.05220	\$ 0.62754	\$0.25010	\$ 0.04940	\$ 0.04810	\$0.34760
2000	0.55350	0.07570	0.62920	0.25620	0.09650	0.04730	0.40000
2001	0.57747	0.11674	0.69421	0.25066	0.10363	0.04100	0.39529
2002	0.58955	0.12497	0.71452	0.27270	0.15270	0.03290	0.45830
2003	0.58955	0.15921	0.74876	0.30113	0.14710	0.03358	0.48181
2004	0.56980	0.17020	0.74000	0.30055	0.17831	0.03337	0.51223
2005	0.56980	0.21670	0.78650	0.30050	0.16566	0.03350	0.49966
2006	0.59653	0.19847	0.79500	0.28336	0.18414	0.03217	0.49967
2007	0.60446	0.18554	0.79000	0.27500	0.18410	0.03000	0.48910
2008	0.59627	0.19373	0.79000	0.27129	0.16813	0.02890	0.46832

Note: The entire City line we located in Williamson County within the Taylor Independent School District and the Emergency Services District No. 3 (Fire Protection Services)

Source: Williamson County Tax Collector

TAYLOR SCHOOL DISTRICT

Operating	Debt Service	Total Rate	Total Direct & Overlapping Rates
\$ 1.29000	\$ 0.26000	\$ 1.55000	\$ 2.52514
1.39100	0.14500	1.53600	2.56520
1.42300	0.15700	1.58000	2.66950
1.45000	0.13000	1.58000	2.75282
1.46000	0.15000	1.61000	2.84057
1.50000	0.17000	1.67000	2.92223
1.50000	0.17000	1.67000	2.95616
1.37000	0.17000	1.54000	2.83467
1.04000	0.16000	1.20000	2.47910
1.04000	0.16000	1.20000	2.45832

**CITY OF TAYLOR, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

2008			
Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
CCA Properties of Texas	\$ 14,350,003	1	2.05%
HEB Grocery Company	13,464,627	2	1.87%
ERCOT	9,718,500	3	1.35%
Walmart Real Estate Business Trust	9,021,962	4	1.26%
TXU Electric Delivery Company	8,095,646	5	1.13%
Texas HWY 95, LP	6,591,414	6	0.92%
Electric Reliability Council of TX	6,492,466	7	0.90%
Walmart Stores East Inc	6,114,657	8	0.85%
KB Homes Lone Star LP	5,989,918	9	0.83%
Durcon Laboratory Tops Inc	5,293,305	10	0.74%

Source: Williamson County Appraisal District

1999			
Taxpayer	Assessed Valuation	Rank	Percentage of Total City Assessed Valuation
CCA Properties of Texas	\$ 19,612,411	1	4.72%
Intercraft Industries	12,388,740	2	2.98%
Texas Utilities Electric	6,306,668	3	1.52%
Intercraft Company	5,088,098	4	1.22%
Laboratory Tops Inc	4,796,950	5	1.15%
Southwestern Bell Telephone	5,062,085	6	1.22%
Walmart Stores East Inc	4,842,082	7	1.17%
Maxwell Chrysler, Plymouth	3,535,888	8	0.85%
TX Cotton Growers Coop Assoc	2,910,802	9	0.70%
OT Rural Ltd	2,254,760	10	0.54%

**CITY OF TAYLOR, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Tax Levy		Amount	Percentage of Tax Levy
1999	\$ 2,441,851	\$ 2,368,596	97.0%	\$ 52,457	\$ 2,421,053	99.1%
2000	2,603,653	2,544,828	97.7%	46,664	2,591,492	99.5%
2001	3,125,791	3,064,669	98.0%	64,324	3,128,993	100.1%
2002	3,541,083	3,437,247	97.1%	45,729	3,482,976	98.4%
2003	4,221,245	4,118,660	97.6%	96,674	4,215,334	99.9%
2004	4,339,430	4,108,997	94.7%	108,624	4,217,621	97.2%
2005	4,339,777	4,219,125	97.2%	59,297	4,278,422	98.6%
2006	4,709,141	4,626,689	98.2%	97,930	4,724,619	100.3%
2007	5,106,729	5,006,268	98.0%	93,043	5,099,311	99.9%
2008	5,524,316	5,416,832	98.1%	68,192	5,485,024	99.3%

Source: Williamson County Appraisal District

**CITY OF TAYLOR, TEXAS
PLEDGE-REVENUE COVERAGE
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Water Revenue Bonds						Special Assessment Collections
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Principal	Interest		
1999	\$ 4,466,271	\$ 2,260,926	\$ 2,205,345	\$ 2,925,000	\$ -	75.4%	\$ -
2000	4,833,197	2,545,532	2,287,665	2,900,000	1,757,059	49.1%	-
2001	4,768,679	2,613,646	2,155,033	2,875,000	1,631,535	47.8%	-
2002	3,886,678	2,018,443	1,868,235	2,850,000	1,506,825	42.9%	-
2003	4,240,549	4,027,268	213,281	2,825,000	1,382,955	5.1%	-
2004	5,002,406	3,377,069	1,625,337	2,800,000	1,260,840	40.0%	-
2005	4,986,548	4,344,134	642,414	2,775,000	1,139,627	16.4%	-
2006	5,624,572	4,822,018	802,554	2,750,000	1,019,343	21.3%	-
2007	5,188,998	4,246,115	942,883	2,725,000	899,997	26.0%	-
2008	5,877,587	4,639,485	1,238,102	2,700,000	781,605	35.6%	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest for depreciation.

**CITY OF TAYLOR, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Governmental Activities			
	General Obligation Bonds	Combination Tax & Revenue Bonds	Certificates of Obligation	Capital Lease
1999	\$ 4,000,000	\$ 750,000	\$ 428,271	\$ 216,345
2000	3,875,000	714,714	418,475	318,592
2001	6,145,000	990,728	393,479	290,720
2002	7,534,955	1,583,424	368,483	231,848
2003	7,286,525	3,033,623	343,487	105,385
2004	7,003,570	2,848,916	318,462	-
2005	11,789,995	2,647,518	293,441	370,013
2006	11,693,610	2,141,063	270,506	249,884
2007	11,177,225	2,144,858	245,485	192,864
2008	10,666,935	5,008,320	220,464	509,052

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
Combination Tax & Revenue Bonds	General Obligation Bonds	Capital Lease			
\$ 12,450,000	\$ -	\$ -	\$ 17,844,616	1.23%	\$ 1,303
11,855,000	-	-	17,181,781	4.16%	1,668
14,443,850	-	-	22,263,777	4.42%	1,033
13,704,119	-	-	23,422,829	6.72%	1,058
15,863,217	-	-	26,632,237	11.32%	1,078
11,274,582	-	462,401	21,907,931	12.77%	1,299
10,885,970	-	-	25,986,937	10.01%	1,151
10,081,425	396,390	-	24,832,878	8.57%	1,180
13,679,088	377,775	-	27,817,295	1.25%	1,225
20,259,397	358,065	-	37,022,233	8.57%	1,473

**CITY OF TAYLOR, TEXAS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Franchise Value ¹ Property	Per Capita ²
1999	\$ 4,000,000	\$ 9,796	\$ 3,990,204	0.96%	\$ 296
2000	3,875,000	13,002	3,861,998	0.83%	284
2001	6,145,000	50,868	6,094,132	1.22%	430
2002	7,534,955	49,238	7,485,717	1.36%	512
2003	7,286,525	84,381	7,202,144	1.21%	488
2004	7,003,570	110,821	6,892,749	1.10%	442
2005	11,789,995	153,854	11,636,141	1.75%	746
2006	11,693,610	191,098	11,502,512	1.73%	713
2007	11,177,225	162,681	11,014,544	1.57%	640
2008	10,666,935	155,140	10,511,795	1.55%	595

¹ See the Schedule of Assessed and Estimated Actual Value of Taxable Property for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics.

Note: Details regarding this City's outstanding debt can be found in the notes to the financial statements.

CITY OF TAYLOR, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2008
UNAUDITED

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
County	\$ 688,395	2.44%	\$ 16,315
School	16,879	97.81%	<u>16,509</u>
Subtotal, overlapping debt			<u>32,824</u>
 City of Taylor	 18,675	 100%	 <u>18,675</u>
 Total direct and overlapping debt			 <u><u>\$ 51,499</u></u>

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Statistical. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident – and therefore responsible for repaying the debt – of each overlapping government.

¹ For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

**CITY OF TAYLOR, TEXAS
LEGAL DEBT MARGIN INFORMATION
LAST SEVEN FISCAL YEARS
UNAUDITED**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt limit	\$ 196,763	\$ 189,509	\$ 174,875	\$ 129,593	\$ 131,460
Total net debt applicable to limit	<u>24,381</u>	<u>15,197</u>	<u>11,528</u>	<u>12,090</u>	<u>6,036</u>
Legal debt margin	<u>\$ 172,382</u>	<u>\$ 174,312</u>	<u>\$ 163,347</u>	<u>\$ 117,503</u>	<u>\$ 125,424</u>

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 762,249
Add back: exempt real property	<u>24,802</u>
Total assessed value	787,051
Debt limit (10% of total assessed value)	196,763
Debt applicable to limit:	
General obligation bonds	36,293
Less: Amount set aside for repayment of general obligation debt	<u>(11,912)</u>
Total net debt applicable to limit	<u>24,381</u>
Legal debt margin	<u>\$ 172,382</u>

Note: City of Taylor first applied GASB Statement No. 34 in fiscal year 2002; therefore accrual basis financial information for years prior to fiscal 2002 are not available.

<u>2003</u>	<u>2002</u>
\$ 126,245	\$ 121,255
<u>10,165</u>	<u>8,849</u>
<u>\$ 116,080</u>	<u>\$ 112,406</u>

**CITY OF TAYLOR, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

Employer	2008		Percentage of Total City Employment
	No. Employees	Rank	
ERCOT	630	1	23.6%
Taylor ISD	526	2	19.7%
Corrections Corp of America	282	3	10.5%
Wal-Mart	265	4	9.9%
Johns Community Hospital	215	5	8.0%
Durcon Laboratory Tops	207	6	7.7%
FloydCo (Floyd's Glass)	150	7	5.6%
H.E.B.	150	8	5.6%
City of Taylor	145	9	5.4%
Burrows Cabinets	107	10	4.0%
City of Taylor Total	<u>2,677</u>		<u>100.00%</u>

Source: Taylor Economic Development Corp.

Employer	1999		
	No. Employees	Rank	Percentage of Total City Employment
Intercraft Industries	690	1	29.5%
Taylor ISD	414	2	17.8%
ERCOT	200	3	8.6%
Durcon Laboratory Tops	190	4	8.2%
H.E.B.	185	5	7.9%
Wal-Mart	153	6	6.6%
Johns Community Hospital	140	7	6.0%
Sweatbriar Nursing Home	130	8	5.6%
FloydCo (Floyd's Glass)	120	9	5.1%
City of Taylor	109	10	4.7%
	<u>2,331</u>		<u>100.00%</u>

**CITY OF TAYLOR, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Population ¹	Personal Income ³ (amounts expressed in thousands)	Per Capita ⁵ Personal Income	School Enrollment ⁴	Unemployment Rate ²
1999	13,475	\$ 219,548	\$ 16,293	2,875	1.6%
2000	13,575	226,472	16,683	2,899	2.7%
2001	14,167	243,913	17,217	3,005	4.7%
2002	14,622	257,786	17,630	3,089	5.5%
2003	14,757	265,110	17,965	3,030	5.6%
2004	15,598	289,468	18,558	2,979	4.4%
2005	15,598	299,310	19,189	3,041	4.4%
2006	16,138	317,418	19,669	3,042	4.0%
2007	17,202	351,179	20,415	3,115	3.8%
2008	17,663	433,574	24,547	3,156	4.7%

Data Sources:

- ¹ Texas State Data Center & Office of the State Demographer
- ² State Department of Labor and City-Data.com
- ³ US 2000 Census adjusted by CPI for inflation
- ⁴ Taylor Independent School District
- ⁵ U. S. Census Bureau Quick Facts



CITY OF TAYLOR, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Function / Program						
General Government						
Management services	3	3	4	3	3	3
Human Resources	3	3	1	1	1	1
Finance	4	4	6	8	8	7
Municipal Court	4	4	4	4	4	4
C D - Planning	6	6	6	4	5	5
Main Street	1	2	1	1	-	1
C D - Recreation	1	1	1	1	1	1
Building	1	1	1	1	1	1
General services	1	-	-	-	-	-
Information technology	1	-	-	-	-	-
Other	-	-	-	-	-	-
Police						
Officers	26	26	27	21	26	25
Civilians	11	11	10	11	11	12
Animal Control	2	1	1	2	2	1
Fire						
Firefighters and Officers	23	25	24	25	24	25
Civilians	1	1	1	1	1	1
Other Public Works						
Engineering/Inspection	2	2	2	1	3	3
Street Maintenance	9	7	9	10	7	8
Grounds	7	10	10	10	10	11
Other	2	2	1	2	2	2
Library	7	7	7	7	8	8
Water	12	14	12	13	13	13
Wastewater	3	2	3	3	3	3
Utilities Admin	7	7	6	3	2	2
Airport	3	3	3	3	3	3
Cemetery	2	2	2	2	2	2
Fleet Services	<u>2</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
 Total all governmental funds	 <u>144</u>	 <u>147</u>	 <u>144</u>	 <u>139</u>	 <u>142</u>	 <u>144</u>

Source: City of Taylor Human Resources Department

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
3	2	4	5
1	3	1	-
7	5	4	6
4	3	4	7
5	4	4	4
-	1	1	-
1	1	1	-
2	1	4	3
-	-	-	-
-	-	-	-
-	1	2	-
28	26	32	30
14	13	10	7
1	1	-	-
22	25	27	37
1	1	1	1
3	2	-	11
7	6	7	-
10	10	10	8
2	4	4	4
8	6	8	8
16	16	19	16
5	2	3	4
2	1	1	-
3	5	0	-
2	2	2	-
-	1	-	-
<u>147</u>	<u>142</u>	<u>149</u>	<u>151</u>

**CITY OF TAYLOR, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED**

Function/Program	2008	2007	2006	2005	2004
General government					
Building permits issued	530	368	459	331	378
Building inspections conducted	503	692	2144	1261	2030
Public Safety					
Police:					
Physical arrests	707	955	990	917	950
Parking violations	72	102	150	104	133
Traffic violations	2063	3798	4,792	2,660	3,318
Fire:					
Emergency responses	1704	1550	1,600	1,440	1,393
Fires extinguished	149	117	131	118	114
Inspections	394	294	570	137	275
Highways and streets					
Street resurfacing (miles)	0	6	0	8	8
Potholes repaired	851	1655	1553	1932	2604
Library					
Volumes in collection	37,809	43,636	35,930	34,377	37,307
Total volumes borrowed	81,274	69,419	56,107	55,722	56,961
Water					
New connections	873	928	495	321	210
Water main breaks	511	388	567	548	477
Average daily consumption (millions of gallons)	2	2	2	2	2
Peak daily consumption (millions of gallons)	4	3	3	3	3
Wastewater					
Average daily treatment (millions of gallons)	1.40	1.85	1.69	1.98	1.93

Source: Various Departments within the City of Taylor. No records are available for public safety (Police and Fire Departments) prior to 2002.

2003	2002	2001	2000	1999
453	251	165	76	155
2497	715	1730	1524	N/A
1,457	1,085	N/A	N/A	N/A
170	46	N/A	N/A	N/A
3,764	3,648	N/A	N/A	N/A
1,280	1,382	N/A	N/A	N/A
105	113	N/A	N/A	N/A
265	240	N/A	N/A	N/A
9	7	8	9	N/A
1796	2241	772	242	N/A
36,512	39,040	36,849	36,205	35,922
40,910	45,211	54,628	44,880	37,018
176	117	117	105	104
604	604	640	785	743
2	3	2	2	2
3	3	3	3	3
1.70	1.90	2.10	1.66	1.44

**CITY OF TAYLOR, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST SEVEN FISCAL YEARS
UNAUDITED**

Function	2008	2007	2006	2005	2004
Police					
Number of stations	1	1	1	1	1
Zone Officers	27	27	27	27	27
Number of patrol units	12	12	12	12	12
Fire					
Number of stations	2	2	2	2	2
Highways and streets					
Streets (miles)	87	87	85	81	80
Streetlights	1,097	1,072	1,069	1,054	965
Traffic signals	11	10	9	9	9
Culture and recreation					
Acreage	387	387	312	312	292
Playgrounds	4	-	-	-	-
Baseball/softball diamon	10	-	-	-	-
Swimming pools	2	2	2	2	2
Tennis courts	10	10	10	10	10
Water					
Water mains	99	-	-	-	99
Fire hydrants	582	580	580	580	425
Storage capacity	5	5	5		5
Wastewater					
Treatment capacity	4,000	4	4	4	4
Sanitary sewer (miles)	84	84	84	83	81
Storm sewers (miles)	3	3	3	3	3

Data was not available before fiscal year 2002.

Source: Various Departments within City of Taylor

Note: No capital asset indicators were available for the general government function.

2003	2002
1	1
26	30
8	8
3	3
75	75
915	908
9	9
144	144
-	-
-	-
2	2
8	8
45	45
415	415
5	5
4	4
74	74
3	3



COMPLIANCE SECTION





CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Mayor and
City Council
City of Taylor, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Taylor, Texas (the City) as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated March 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal controls over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated March 18, 2009.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Erockney, Dordach, Franklin & Nimmo, P.C.

March 18, 2009

**CITY OF TAYLOR, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES**

2008.01 Finding:

During our audit we noted several invoices that were not recorded in the proper accounting period. We recommend that all invoices received subsequent to year end be reviewed and recorded in the appropriate accounting period.

2008.01 Response:

The City of Taylor will accumulate all unpaid invoices received after year end for costs incurred in the fiscal year and prepare a journal entry to be posted to the audit file. This should assure all expenditures are captured in the proper period.

